

# Town of Grafton



## HOUSING PRODUCTION PLAN

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Massachusetts Department of Housing and Community Development  
on October 3, 2013.

### **Grafton Affordable Housing Trust**

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# **TOWN OF GRAFTON HOUSING PRODUCTION PLAN**

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## **Section I**

### **EXECUTIVE SUMMARY**

#### **A. Introduction**

Grafton is among the fastest growing communities in the Commonwealth, putting significant pressures local services and the housing market. Between 1960 and 1990 the population increased by 67% or almost 6,000 residents to a population of 13,035. From 1990 through 2010, the town added another 4,730 residents, growing to 17,765, or by another 36%. Regional growth has been primarily due to persons migrating from the southern or eastern parts of the state, where housing costs are significantly higher, in search of more affordable housing. This growth is making it more difficult for existing residents or those who were raised in town to find or retain affordable living options locally despite a more sluggish housing market.

Based on the Massachusetts Department of Housing and Community Development's most recent data on the Chapter 40B Subsidized Housing Inventory, Grafton had 7,160 year-round housing units (a sizable increase from the pre-2010 level of 5,820 units), of which 313 can be counted as affordable, representing 4.3% (down from the 5.27% level before 2010 due to housing growth) of the year-round housing stock. Grafton is therefore vulnerable to losing control over housing development through Chapter 40B comprehensive permit applications. To meet the 10% standard, at least 716 of the existing units would have to be "affordable" based on the state's definition, requiring more than 400 additional housing units to be converted to affordable ones to meet the 10% standard. Assuming future housing growth, this 10% figure is a moving target and ultimately the required minimum number of year-round units will increase over time. It should be noted however, that the state counts all units in rental projects using the Chapter 40B comprehensive permit process as opposed to only the affordable ones, typically 25%, in ownership developments.

This Housing Production Plan suggests a range of options to meet pressing local housing needs and to bring Grafton closer to the state 10% threshold, presenting a proactive housing agenda of Town-sponsored initiatives. Due to the remaining high costs of homeownership, including escalating costs associated with taxes and utilities, many residents are finding it increasingly difficult to afford to remain in Grafton. Children who grew up in the town are now facing the possibility that they may not be able to return to raise their own families locally. Long-term residents, especially the elderly, are finding themselves less able to maintain their homes and keep up with increased taxes, insurance and utility bills but unable to find alternative housing that better meets their current life styles. Families are finding it more difficult to "buy up," purchasing larger homes as their families grow. Town employees and employees of local businesses are increasingly hard-pressed to find housing that is affordable in Grafton. More housing options are required to meet these local needs and produce Grafton's fair share of regional needs.

Based on the continued interest from developers in pursuing Chapter 40B developments, town residents no longer have the luxury of maintaining the status quo. New housing will be built, and residents must consider what steps should be taken and what compromises can be accepted to have some control over Grafton's future development. This Housing Plan represents a critical step forward, and an opportunity for the town to chart its own course on affordable housing development.

## B. Summary of Housing Needs Assessment

This Housing Plan includes a Housing Needs Assessment that presents an overview of the current housing situation in the town of Grafton, providing the context for developing a responsive set of strategies to address housing needs and meet production goals. Key findings in regard to household characteristics, housing characteristics, and housing costs and affordability in Grafton are highlighted below.

### *Household Characteristics<sup>1</sup>*

- *Grafton is growing.* The 2010 census data indicates that the town of Grafton had a total population of 17,765, a 19.3% increase over the 2000 population of 14,894 and a 36.3% increase since 1990 when the population was 13,035.
- The population has remained predominately White but *minority residents are steadily increasing* in number, from 55 residents in 1980 to 2,017 by 2010, two-thirds of Asian descent.
- *Smaller, non-family households<sup>2</sup> are becoming a more significant part of Grafton*, representing 31% of the number of households in 2010 as opposed to 21% in 1980.
- There has been a *big increase in middle-aged residents* as those in the 45 to 64-age range increased from 21.2% of all residents in 1980 to 31.3% by 2010, representing a gain of 2,724 residents or 115% increase, about double the total population growth of 58.1%.
- *There were also significant increases in seniors.* In 2010 there were 1,923 persons 65 years of age or older, representing 10.8% of the population, as compared to 1,150 or 10.2% of the total population in 1980.
- *Children under 18 years of age decreased* from 28.8% of all residents in 1980 to 25.6% by 2010, but still increased in actual numbers putting pressures on the capacity of local schools.
- *The numbers of young adults age 21 to 34 remained about the same* between 1980 and 2010 despite an overall population increase of 58.1% during that time.
- *Grafton is becoming increasingly affluent.* The median household income in 2010 was \$91,743, up 63.8% from the 1999 median income of \$56,020 and well above the 2010 median income for Worcester County of \$61,212.
- There were *substantial increases in the numbers of households earning more than \$50,000* between 1979 and 2010, and *those earning more than \$100,000* grew from 20 in 1979 to almost half of all residents by 2010 – well over what would be expected under normal inflationary trends.
- Despite increasing wealth, *there still remains a significant population living in Grafton with very limited means.* There were 578 or 9.3% of all households with incomes of less than \$25,000, representing extremely low-income levels, most of whom have incomes at or below 30% of area median income as defined by HUD. An additional 385 households had incomes within what public agencies would define as very low-income levels or between 30% and 50% of area median income. *These numbers are considerably greater than the town's current supply of state-defined affordable housing of 313 units.*
- *About 30% of Grafton's households, or approximately 2,010 households, would likely qualify for housing assistance* as their incomes were at or below 80% of area median income defined by

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<sup>1</sup> This data is largely based on census information that does not measure all factors contributing to a household's economic capacity but provide some limited means for evaluating need.

<sup>2</sup> Non-family households are described by the US Census Bureau as single individuals or unrelated household members.

the U.S. Department of Housing and Urban Development (HUD) as \$58,500 for a family of three.<sup>3</sup>

- The *absolute numbers of those with incomes below the poverty level*<sup>4</sup> increased from 602 in 1979 to 1,156 by 2010, increasing from 4% to 6.5% of Grafton residents. The numbers and percentages of families and seniors in poverty have decreased over the past several decades however, while those of children have climbed.
- *There are a significant number of residents who have special needs and are disabled.* Of the population age 5 to 20 years old, 197 or 6.3% had some disability, and of the population age 21 to 64, 1,397 or 15.7% claimed a disability, but 27% of this group was unemployed, likely due to disability.<sup>5</sup> In regard to the population 65 years of age or older, 618 or 38% claimed some type of disability. These levels of disability, particularly that of seniors, represent significant special needs within the Grafton community.

### ***Housing Characteristics***

- *There was a significant increase in the town's housing stock during the last two decades.* The 2010 census counted 7,177 total housing units, up 23.1% from 5,828 units in 2000, and a 42.5% increase from 5,035 units in 1990. This is more than the 36.3% population growth rate during that same period.
- *Most of Grafton's housing is in owner-occupied homes.* Out of total housing units in 2010, 75% were owner-occupied. These figures represent a higher level of owner-occupancy than that for Worcester County as a whole at 65.3% or for the state at 56.5%.
- *While 544 rental units have been added to the housing stock since 1980, the percentage of rental units has declined from 30.6% to 25.0%.*
- *Also, almost three-quarters of the housing stock were single-family detached or attached homes,* higher than the 56% level for the county.
- *The level of housing vacancy is very low.* The 2010 census counted 1.3% of the owner-occupied housing stock and 5.5% of all rental units as vacant. Any level below 5% is considered to represent tight market conditions and the rates remain well below that of the state and nation as a whole.

### ***Housing Costs and Affordability***

#### ***Homeownership***

- *There were 1,879 households or 27.3% of all Grafton households living in housing that was by common definition beyond their means and unaffordable.*
- *Half of all those earning at or below 80% median family income (MFI) were spending too much for housing, including one-quarter who were spending more than half of their income on housing.*
- *To afford the median single-family home price of \$309,000, a household would have to earn approximately \$85,000 if they were able to access 95% financing. Based on 80% financing with a 20% down payment, a lower income of about \$69,200 would be required, but the upfront costs would be considerable.*

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<sup>3</sup> While these households' incomes might be at or below 80% of area median income, many households are likely to have assets that are more than the allowable state or federal standards that would disqualify them from housing assistance.

<sup>4</sup> The 2011 poverty levels included \$10,890 for an individual and \$18,530 for a family of three in 2011.

<sup>5</sup> This information is from the 2000 census as the census has provided no updated data on disability status since.

- Assessor's data shows that Grafton had 4,218 single-family properties with *only 332 such units valued below \$200,000*. About 40% of the units were assessed between \$200,000 and \$300,000, still relatively affordable. Another 14.2% were assessed from \$300,000 to \$350,000.
- *To afford the median condo price of \$205,000 requires an income of approximately \$66,750 with 5% down and \$56,200 with the 20% down payment.* The recent housing crisis and accompanying challenges in obtaining financing for condos have contributed to decreases in both condo sales activity and market prices.
- There were 1,242 condominiums counted in Assessor's records, or about 17% of all housing units. *The condos were valued more affordably on a whole than the single-family homes with 35 units assessed below \$100,000 and 16.8% assessed between \$100,000 and \$200,000.*
- There were 707 single-family homes and 456 condos that were affordable to those earning at or below 80% of the area median income (AMI),<sup>6</sup> most that were likely to need some property improvements. However, the ability to obtain financing, including issues related to credit history and cash requirements, can provide substantial barriers to accessing housing.
- The *affordability gap* for those earning at 80% of area median income is approximately \$59,000 for single-family homes, the difference between the median priced single-family home (\$309,000) and what a three-person household earning at this income level can afford (\$250,000), based on 80% financing, and a gap of about \$91,000 with 95% financing. The affordability gap for condos for households earning at 80% of median income is \$25,000 based on 95% financing. In both cases, the upfront costs of the down payment and closing costs add considerably to the affordability gap.

### **Rentals**

- The 2010 census indicated that the median gross rental was \$882, up 41% from the 2000 median of \$625, and requiring an income of more than \$40,000, including some utility costs. *This median rent is not affordable to more than 2,000 households.*<sup>7</sup>
- Like housing values for homeownership units, rental values tend to be underestimated in the census data and actual market rents are typically higher. Craigslist, a popular posting for apartments, listed only three (3) available rental units in Grafton in February 2012, \$1,250 for a two-bedroom in North Grafton, \$1,475 for a two-bedroom townhouse, and \$1,430 for a three-bedroom townhouse.
- *Apartments also likely require significant amounts of up-front cash* including first and last month's rent and a security deposit, which has a significant impact on affordability.

### **Priority Housing Needs**

These characteristics and trends suggest a significant need for subsidized rental housing, affordable homeownership units for first-time purchasers, greater handicapped accessibility and supportive services for the disabled and an increasingly aging population, as well as support for lower income owners with pressing home repair problems.

<sup>6</sup> Figures based on 95% financing, interest of 5.5%, 30-year term, annual property tax rate of \$14.13 per thousand, insurance costs of \$1.25 per \$1,000 of combined valuation of dwelling value (value x 0.5), personal property (\$100,000 fixed), and personal liability (\$100,000 fixed), and private mortgage insurance estimated at 0.3125 percent of loan amount, monthly condo fees of \$250, and rents for two-family homes of \$900. Figures are also premised on households spending no more than 30% of their income on housing costs.

<sup>7</sup> This is premised on households spending no more than 30% of their income on housing costs.

### **C. Summary of Housing Production Goals**

The state oversees Housing Production regulations that enable cities and towns to adopt an affordable housing plan that demonstrates production of 0.50% over one year or 1.0% over two-years of its year-round housing stock eligible for inclusion in the Subsidized Housing Inventory. Grafton will have to produce approximately 36 affordable units annually to meet these production goals.<sup>8</sup> Under Housing Production requirements, if the state certifies that the locality has complied with its annual production goals, the Town may be able, through its Zoning Board of Appeals, to deny comprehensive permit applications.<sup>9</sup>

Using the strategies summarized in Section VI, the Town of Grafton has developed a Housing Production Program to chart affordable housing production activity over the next five (5) years. The projected goals are best guesses at this time, and there is likely to be a great deal of fluidity in these estimates from year to year. Production goals include the creation of 142 affordable units and 330 total housing units that includes some market rate units and units that are not eligible for inclusion in the Subsidized Housing Inventory but still serve pressing local needs.

### **D. Summary of Housing Strategies**

The strategies outlined below are based on previous plans (2001 Comprehensive Plan, 2006 Affordable Housing Plan), reports, studies, the Housing Needs Assessment, and the experience of other comparable localities in the region and throughout the Commonwealth. The strategies are grouped according to the type of action proposed – Planning and Regulatory Reforms, Housing Development, Housing Preservation, and Direct Assistance. They are also categorized according to priority – those to be implemented within Years 1 and 2 and those within Years 3 to 5. A summary of these strategies is included in Table I-1.

The strategies also reflect state requirements that ask communities to address a number of major categories of strategies to the greatest extent applicable.<sup>10</sup> Also, while a major goal of this Plan is to eventually meet the state's 10% goal under Chapter 40B, another important goal is to serve the range of local housing needs. Consequently, there are instances where housing initiatives might be promoted to meet community needs that will not necessarily result in the inclusion of units in the Subsidized Housing Inventory.

*It is also important to note that these strategies are presented as a package for the Town to consider, prioritize, and process, each through the appropriate regulatory channels. Moreover, the proposed actions present opportunities to judiciously invest limited Community Preservation funding and the Housing Trust Fund to build local capacity, modify or create new local zoning provisions, and subsidize actual unit production (predevelopment funding and/or subsidies to fill the gap between total development costs and the affordable rent or purchase prices) that leverage other necessary resources.*

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<sup>8</sup> The 36-unit figure is derived by taking 0.5% of Grafton's year-round housing stock (total housing units minus seasonal or occasional units) based on 2010 census data.

<sup>9</sup> If a community has achieved certification within 15 days of the opening of the local hearing for the comprehensive permit, the ZBA shall provide written notice to the applicant, with a copy to DHCD, that it considers that a denial of the permit or the imposition of conditions or requirements would be consistent with local needs, the grounds that it believes have been met, and the factual basis for that position, including any necessary supportive documentation. If the applicant wishes to challenge the ZBA's assertion, it must do so by providing written notice to DHCD, with a copy to the ZBA, within 15 days of its receipt of the ZBA's notice, including any documentation to support its position. DHCD shall review the materials provided by both parties and issue a decision within 30 days of its receipt of all materials. The ZBA shall have the burden of proving satisfaction of the grounds for asserting that a denial or approval with conditions would be consistent local needs, provided, however, that any failure of the DHCD to issue a timely decision shall be deemed a determination in favor of the municipality. This procedure shall toll the requirement to terminate the hearing within 180 days.

<sup>10</sup> Massachusetts General Law Chapter 40B, 760 CMR 56.03.4.



**Table I-1**  
**Summary of Housing Strategies**

Strategies	Timeframe for Commencing Implementation		# Affordable Units	# Workforce Units or Ineligible Units
	Years 1-2	Years 3-5		
<b><i>A. Planning and Regulatory Reform</i></b>				
1. Amend accessory apartment by-law	X		0	20
2. Review existing LIP Policy/private development	X		*	*
3. Allow affordable housing on noncomplying lots		X	2	0
4. Amend flexible zoning by-law		X	10	0
5. Adopt inclusionary zoning		X	6	0
<b><i>B. Housing Development</i></b>				
1. Make Town-owned land available for affordable housing	X		4	0
2. Support private scattered-site housing	X		8 plus 4 under B.1	0
3. Partner with private developers on “friendly” 40B projects	X		38	0
4. Promote mixed-use and transit-oriented development		X	20 plus 48 under 40R	0
<b><i>C. Housing Preservation</i></b>				
1. Monitor affordability of Subsidized Housing Inventory	X		*	*
2. Convert existing housing to affordability	X		6	0
<b><i>D. Direct Assistance</i></b>				
1. Help residents access available housing assistance	X		*	*
2. Implement an Emergency Assistance Program	X		0	25

*\* - Indicates actions that are unlikely to directly produce new affordable units by themselves but are key to creating the resources or regulations that will contribute to actual unit creation.*

## Section II INTRODUCTION

### A. Background and Purpose of the Project

Grafton is a town of about 18,000 people located in east central Massachusetts, southeast of Worcester and 30 miles west of Boston. The town was incorporated in 1735 and grew from a center of missionary activities in Central Massachusetts into a rural town with strong historic villages including Fisherville, Farnumsville, Saundersville, New England Village and Grafton Center. The town began primarily as a farming community, but access to the Blackstone River's waterpower catapulted the town into the Industrial Revolution, converting the community into a manufacturing center. For example, Ethan Allen began producing his firearms, pocket cutlery and "pepperbox" revolver in 1832. Manufacturing continued to prosper until the early 20<sup>th</sup> century. Since that time, the town has developed into a predominantly suburban town located just outside of the Route 495 ring of metropolitan Boston with some remaining rural areas and noteworthy historic charm.

The town is bordered by Upton and Westborough on the east and northeast, Shrewsbury on the north, Worcester on the northwest, Millbury on the west, Sutton on the southwest, and Northbridge on the south. Grafton is also bisected by the Massachusetts Turnpike that provides easy access to Boston and other cities in New England. Additionally, the Massachusetts Bay Transit Authority (MBTA) opened a commuter rail station in Grafton, further enhancing the town's locational advantage and attracting major new employers. Improved transportation access; new growth opportunities in the areas of manufacturing, biotechnology, and research; and population pressures from the continuing westward expansion of the Greater Boston metropolitan area have contributed to significant population growth and are threatening to change Grafton's small town character. *Planning to guide new development is becoming more crucial as the town continues to grow, including efforts to promote affordable housing to help the town maintain important social and economic diversity.*

In 2005, the Board of Selectmen established the Grafton Affordable Housing Committee to oversee the preparation of an Affordable Housing Plan that would meet the requirements of 760 CMR 31.07 (1)(i) under the state's Planned Production Program. This program would enable the town to deny inappropriate Chapter 40B comprehensive permit applications by meeting specific production requirements. The Affordable Housing Committee was replaced by the Grafton Affordable Housing Trust in 2007, and in early 2012 the Housing Trust embarked on updating the 2006 Affordable Housing Plan that had expired, insuring that it meets new requirements under the state's Housing Production regulations of Massachusetts General Law Chapter 40B, 760 CMR 56.03.4. On July 8, 2013, during a public hearing, the Planning Board and Board of Selectmen approved this Housing Production Plan for submission to DHCD and have already embarked on its implementation.

### B. Definition of Affordable Housing

Affordable housing is not necessarily subsidized housing for low- or moderate-income households. There are a number of definitions of affordable housing, as federal and state programs offer various criteria. For example, the federal government identifies units as affordable if gross rent (including costs of utilities borne by the tenant) is no more than 30% of a household's net or adjusted income (with a small deduction per dependent, for child care, extraordinary medical expenses, etc.) or if the carrying costs of purchasing a home (mortgage, property taxes and insurance) is also not more than 30% of gross income. If households are paying more, they are described as experiencing housing affordability problems; and if they are paying 50% or more for housing, they have severe cost burdens.

Affordable housing is also defined according to percentages of median income for the area, and most housing subsidy programs are targeted to particular income ranges depending upon programmatic goals. Extremely low-income housing is directed to those earning at or below 30% of area median income as defined by the U.S. Department of Housing and Urban Development (\$22,600 for a family of three in the Worcester County PMSA area) and very low-income is defined as households earning less than 50% of area median income (\$37,650 for a family of three). Sometimes 60% of area median income is used for particular low-income programs (\$47,520 for a three-person household). Low-income generally refers to the range between 51% and 80% of area median income (\$58,000 for a family of three at the 80% level). These income levels are summarized in Table II-2.

**Table II-2**  
**2013 INCOME LEVELS FOR**  
**AFFORDABLE HOUSING IN THE WORCESTER PMSA**

<b># Persons in Household</b>	<b>30% of Median Income</b>	<b>50% of Median Income</b>	<b>80% of Median Income</b>
<b>1</b>	\$17,600	\$29,300	\$45,100
<b>2</b>	20,100	33,450	51,550
<b>3</b>	22,600	37,650	58,000
<b>4</b>	25,100	41,800	64,400
<b>5</b>	27,150	45,150	69,600
<b>6</b>	29,150	48,500	74,750
<b>7</b>	31,150	51,850	79,900
<b>8</b>	33,150	55,200	85,050

*Note. These income levels are lower than 2012 levels, down about \$1,000 in regard to 30% and 50% AMI levels and about \$500 in the case of the 80% AMI limits.*

Many state-supported housing assistance programs are targeted to households earning at or below 80% of area median income, and others are directed to lower income thresholds. In general, programs that subsidize rental units are targeted to households earning within 60% of median income, some with requirements of reaching the below 30% of median income level. However, first-time homebuyer programs typically apply income limits of up to 80% of area median income. The state's Community Preservation Act allows resources to be directed to those within a somewhat higher income threshold – 100% of area median income.

In counting a community's progress toward the 10% threshold, the state counts a housing unit as affordable if it is subsidized by local, state or federal programs that support low- and moderate-income households at or below 80% of area median income under Chapter 774 of the Acts of 1969, which established the Massachusetts Comprehensive Permit Law (Massachusetts General Laws Chapter 40B). As mentioned earlier, Grafton had 313 units defined as affordable by the state, representing 4.37% of the town's year-round housing units.

### **C. Housing Goals and Challenges**

As part of the visioning process undertaken in developing the 2001 Grafton Comprehensive Plan, residents had the opportunity to share their visions for Grafton's future. The following vision statement was created during this process:

*Grafton is a small town with a strong sense of community made up of historical New England villages and new neighborhoods, whose residents are its most important asset, where pastoral landscapes are valued, where open space preservation is considered integral to our town's character, and where carefully-planned residential as well as non-residential development enhance the community's economic stability.*

The following more specific housing-related goals also emerged from this community visioning process as well as the development of the Affordable Housing Plan:

- Limit residential developments to those projects that are sensitive to the environment and Town infrastructure.
- Encourage housing development patterns that preserve open space and natural features.
- Re-use existing structures and commercial areas.
- Reinforce villages with mixed uses and a variety of housing types.
- Attain a rate of growth that will neither stifle economic growth nor damage the sense of community.
- Provide housing options that will allow residents to remain in town as they age and allow the children of residents to establish families in Grafton.
- Strive to meet the 10% affordability goal under Chapter 40B and annual housing production goals.

The visioning process clearly articulated a desire by town residents to preserve Grafton's small town character, protect natural and historic resources, create housing based on local needs, and carefully manage development to insure a diversified economy and judicious use of resources to ensure long-term sustainability. Goals reflect smart growth principles that call for more efficient land use, compact development patterns, less dependence on the automobile, a range of diverse housing opportunities and choices, equitable allocation of the costs and benefits of development, and an improved jobs/housing balance. Land-use policies were also established that specified the support of existing neighborhoods to enforce the sense of community and the appropriate use of zoning regulations to achieve goals at a minimum of public cost, to make regulations flexible, to preserve and increase social and economic equity, and reduce sprawl.

While housing goals articulate a commitment to producing affordable housing in Grafton, it will be a great challenge for the town to create enough housing to meet the state's 10% affordable housing standard, production goals and local needs, particularly in light of current constraints to new development. These challenges include existing zoning regulations, increasing school enrollments, ongoing traffic congestion, environmental concerns, the limited availability of housing subsidies, and resident perceptions concerning the impacts of affordable housing on the community.

## Section III

### HOUSING NEEDS ASSESSMENT

As housing values soar, it is becoming increasingly difficult for individuals and families to find affordable housing in the private market; and the private market, without subsidies or zoning relief, is unable to producing housing that is affordable to low- and moderate-income households. As a result, it becomes necessary to increasingly rely on regulatory relief and housing subsidies in some form to preserve affordable housing and to produce enough units to meet existing affordable housing needs and demands. High market prices for both the purchase and rental of housing have generated concerns that many long-term residents might be experiencing difficulties paying their taxes, maintaining their homes or affording market rentals. This Housing Needs Assessment presents an overview of the current housing situation in the town of Grafton, providing the context within which a responsive set of strategies can be developed to address housing needs and meet production goals.

#### **A. Demographic and Economic Profile**

It is important to closely examine social and economic characteristics, particularly past and future trends, in order to understand the composition of the population and how it relates to current and future housing needs.

##### **1. *Population Growth – Continued and substantial growth***

Grafton is among the fastest growing communities in the Commonwealth, which has put significant pressures on local services and the housing market. Between 1960 and 1990 the population increased by 67% or almost 6,000 residents and since then through 2010 grew by another 36% or 4,730 residents. The 2010 census data indicates that the town of Grafton had a total population of 17,765, and Town records counted 18,043 residents as of December 1, 2011, and then reported that the population was down somewhat to 17,916 as of April 2, 2013, close to 2010 levels. Population projections suggest growth by another 25% through 2035 for a total population of 22,210 according to the Central Massachusetts Regional Planning Commission.

Regional growth has been primarily due to persons migrating from the southern or eastern parts of the state in particular, where housing costs are significantly higher, in search of more affordable housing. This growth has increased pressures on the existing housing market and Town services and is summarized in Table III-1.

**Table III-1  
Population Change  
1960-2010**

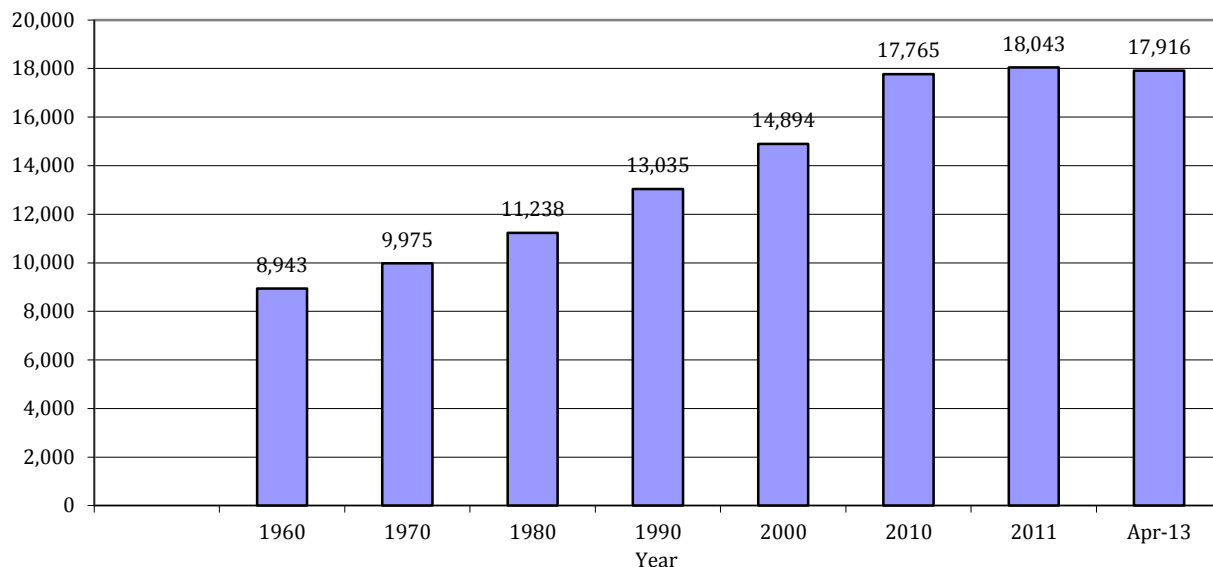
<b>Year</b>	<b>Population</b>	<b>Increase in Numbers of Residents</b>	<b>Percent Change</b>
1960	8,943*	--	--
1970	9,975*	1,032	11.5%
1980	11,238	1,263	12.7%
1990	13,035	1,797	16.0%
2000	14,894	1,859	14.3%
2010	17,765	2,871	19.3%
12/1/2011	18,043	278	1.6%
4/2/2013	17,916	-127	-0.7%

Source: U.S. Census Bureau and Town Records

\* Figures exclude State Hospital population of 1,684 residents in 1960 and 1970. The Hospital was closed in 1975.

This population growth in Grafton is graphically presented in Figure III-1.

**Figure III-1  
Populations Change 1960 to 4/2013**



## 2. *Racial Composition – Substantial increases in minority residents*

As indicated in Table III-2, the population has remained predominately White but minority residents are steadily increasing in number from 55 residents in 1980, or only 0.5% of the population, to 2,017 or 11.4% by 2010. Two-thirds of the 2010 minority population (1,370 residents) identified themselves as Asian.

**Table III-2  
Demographic Characteristics  
1980-2010**

	1980		1990		2000		2010	
	#	%	#	%	#	%	#	%
Total Population	11,238	100.0	13,035	100.0	14,894	100.0	17,765	100.0
Minority Pop*	55	0.5	363	2.8	608	4.1	2,017	11.4
Total Household	3,881	100.0	4,799	100.0	5,694	100.0	6,892	100.0
Family Households**	3,055	78.7	3,533	73.6	3,952	69.4	4,736	68.7
Non-family Households**	826	21.3	1,266	26.4	1,742	30.6	2,156	31.3
Average Household Size	2.90 persons		2.64 persons		2.54 persons		2.56 persons	

Source of above table: 1980, 1990, 2000 and 2010 U.S. Census Bureau

\*All non-White classifications \*\* Percent of all households

### 3. *Household Composition – Increases in smaller, non-family households*

Table III-2 shows that non-family households are becoming a more significant part of Grafton, representing 31% of the number of households, climbing from only about 20% in 1980.<sup>11</sup> While family households increased by 1,681 households from 1980 to 2010, they decreased as a proportion of all households from 78.7% to 68.7%. The average number of persons per household also declined significantly from 2.9 persons in 1980 to 2.56 in 2010, confirming the shift to smaller households in Grafton as well as throughout the region, state and nationally. It should be noted that 1,665 householders lived alone, including 533 age 65 or over.

### 4. *Age Distribution – Significant increases of middle-age residents in contrast to relative declines of younger residents*

As presented in Table III-3, there were substantial increases in middle-age residents with notable decreases in younger residents in proportion to the total population. Those in the 45 to 54-age range increased substantially and continually, from 10.2% of all residents in 1980, to 10.4% by 1990, up to 14.2% by 2000, and then to 16.8% by 2010, representing a gain of 1,843 residents or 161.4% in contrast to total population growth of 58.1%.

There have been significant fluctuations in the age distribution of those above age 54 over the past several decades. For example, the population of older adults age 55 to 64 decreased from 11.0% in 1980 to 7.8% by 1990, and then up to 11.9% by 2010. In 1980 there were 1,150 persons 65 years of age or older, representing 10.2% of the population, as compared to 12.0% of the total population in 1990 and then down again to 10.8% by 2010. Nevertheless, given substantial population growth, this population of residents age 55 and over increased by 1,654 residents over these decades or 69.4%, once again more than total population growth.

**Table III-3**  
**Age Distribution - 1980-2010**

Age Range	1980		1990		2000		2010	
	#	%	#	%	#	%	#	%
Under 5 Years	821	7.3	909	7.0	1,086	7.3	1,203	6.8
5 – 17 Years	2,410	21.4	2,239	17.2	2,750	18.5	3,338	18.8
18 – 20 Years	467	4.2	589	4.5	348*	2.3	436	2.5
21 – 24 Years	692	6.2	720	5.5	724**	4.9	586	3.3
25 – 34 Years	2,003	17.8	4,649	35.7	2,234	15.0	2,103	11.8
35 – 44 Years	1,319	11.7			2,756	18.5	3,075	17.3
45 – 54 Years	1,142	10.2	1,354	10.4	2,109	14.2	2,985	16.8
55 – 64 Years	1,234	11.0	1,011	7.8	1,216	8.2	2,115	11.9
65 – 74 Years	706	6.3	998	7.7	860	5.8	1,063	6.0
75 – 84 Years	306	2.7	427	3.3	664	4.5	591	3.3
85 Years and Over	138	1.2	139	1.1	147	1.0	269	1.5
<b>Total</b>	<b>11,238</b>	<b>100.0</b>	<b>13,035</b>	<b>100.0</b>	<b>14,894</b>	<b>100.0</b>	<b>17,765</b>	<b>100.0</b>
Population 65+	1,150	10.2	1,564	12.0	1,671	11.2	1,923	10.8
Population <18	3,231	28.8	3,148	24.2	3,836	25.8	4,541	25.6
Median Age	--		--		35.9 years		39.2 years	

Source: 1980, 1990, 2000 and 2010 U.S. Census Bureau

\* Figure represents ages 18 and 19. \*\* Figure represents 20 – 24 age range

<sup>11</sup> Non-family households are defined by the US Census Bureau as households including single individuals or unrelated members.

On the other hand, children under 18 years of age have decreased in proportion to total population, from 28.8% of the population in 1980 to 25.6% by 2010. However, this population still increased in actual numbers. For example, the school-age population of those between five and 17 years increased between 1980 and 2010 by 928 students or 38.5%, from 2,410 to 3,338, following a decline to 2,239 students in 1990. The Town has recently built a new high school that with some reallocation of students to various facilities throughout the school system, will eliminate previous overcrowding.

Another relatively declining population group includes those young adults entering the job ranks and beginning their families. The numbers of those age 21 and 34 years old actually remained fairly flat from 1980 to 2010, decreasing by six (6) residents from 2,695 residents to 2,689, despite a 58.1% overall population increase.

##### **5. *Income Distribution – Greater affluence but many still are living with very limited financial means***

Residents of Grafton are also becoming significantly more affluent as shown in Table III-4. The median household income in 2010 was \$91,743, up 63.8% from the 1999 median income of \$56,020 and more than four (4) times the median income in 1979 of \$21,577, not adjusted for inflation. The income distribution for those households that include children – families – is somewhat higher with a median family income in 2010 of \$110,926, and with more than half (54.7%) of all families earning more than \$100,000 including 453 or 10.5% earning more than \$200,000. On the other hand, the median income of non-family households, composed of single individuals and unrelated members, was about half of the median for families, at \$52,500.

**Table III-4  
Income Distribution by Household  
1979-2010**

Income Range	1979		1989		1999		2010	
	#	%	#	%	#	%	#	%
Under \$10,000	735	18.9	354	7.4	299	5.3	143	2.3
10,000-24,999	1,656	42.7	826	17.2	792	13.9	435	7.0
25,000-34,999	907	23.4	563	11.7	517	9.1	417	6.7
35,000-49,999	432	11.1	1,213	25.3	822	14.5	653	10.5
50,000-74,999	131	3.4	1,244	25.9	1,253	22.0	871	14.0
75,000-99,999	20	0.5	382	8.0	915	16.1	834	13.4
100,000-149,999			135	2.8	699	12.3	1,388	22.3
150,000 or more			81	1.7	387	6.8	1,487	23.9
<b>Total</b>	<b>3,881</b>	<b>100.0</b>	<b>4,798</b>	<b>100.0</b>	<b>5,684</b>	<b>100.0</b>	<b>6,228</b>	<b>100.0</b>
Median Household Income	\$21,577		\$42,310		\$56,020		\$91,743	

*Source: 1980, 1990, and 2000 U.S. Census Bureau (Summary File 3) and 2010 American Community Survey*

There were substantial overall decreases in the numbers of households in all income ranges below \$35,000 from 1979 to 2010, while the numbers of households earning more than \$50,000 increased substantially over these decades. Those earning more than \$100,000 grew from 20 in 1979 to 2,875 by 2010 – well over what would be expected under normal inflationary trends.

These income levels in contrast to those for Worcester County are offered Table III-5. Residents of Grafton are on average more affluent in comparison to the county as a whole. The percentage of those



earning less than \$35,000 in Worcester County as a whole is almost double (29.5%) that for Grafton (16.0%), whereas those earning above the \$100,000 threshold included approximately one-quarter (26.2%) of households in Worcester County versus almost half (46.2%) of the households in Grafton. Grafton's median income is also 50% higher than the median for the county as a whole.

**Table III-5**  
**Income Distribution by Household: Worcester County vs. Grafton**  
**2010**

Income Range	Grafton		Worcester County	
	#	%	#	%
Under \$10,000	143	2.3	18,192	6.1
10,000-24,999	435	7.0	46,261	15.6
25,000-34,999	417	6.7	23,231	7.8
35,000-49,999	653	10.5	36,866	12.4
50,000-74,999	871	14.0	51,403	17.3
75,000-99,999	834	13.4	42,703	14.4
100,000-149,999	1,388	22.3	46,580	15.7
150,000 or more	1,487	23.9	31,059	10.5
<b>Total</b>	<b>6,228</b>	<b>100.0</b>	<b>296,295</b>	<b>100.0</b>
Median income	\$91,743		\$61,212	

*Source: 2006-2010 American Community Survey, U.S. Census Bureau*

Despite increasing household wealth, there still remains a population living in Grafton with very limited financial means. An estimated 578 households or 9.3% had incomes of less than \$25,000, representing extremely low-income levels, most with incomes at or below 30% of area median income. Another 417 households had incomes within what public agencies would define as very low-income levels, within 50% of area median income, or less than \$35,000. The total number of households within these income categories was about one thousand (995) in 2010, not an insignificant number given the general affluence of the community. Additionally, 30% of Grafton's households (or 2,010 households), would likely qualify for housing assistance as their incomes are at or below 80% of area median income defined by the U.S. Department of Housing and Urban Development (HUD) as \$58,500 for a family of three in the Worcester area.<sup>12</sup>

## **6. Poverty – Increased poverty for individuals and children**

The 2010 census estimates from the American Community Survey indicate that the absolute numbers of those with incomes below the poverty level (\$10,890 for an individual and \$18,530 for a family of three in 2011) increased from 602 in 1979 to 1,156 by 2010, increasing from 4% to 6.5% of Grafton residents. The numbers and percentages of families and seniors in poverty have decreased over the past several decades however, while those of children have climbed. These residents have substantial income limitations and are likely to require public assistance to meet their housing needs. This data should also be viewed in light of the town's Subsidized Housing Inventory including about 300 subsidized housing units, the total of which is insufficient to cover the housing affordability issues likely confronting this very vulnerable population.

<sup>12</sup> While these households' incomes might be at or below 80% of area median income, many households are likely to have assets that are more than the allowable state or federal standards that would disqualify them from housing assistance.

Also, despite increases in some poverty measures, Grafton's level of poverty is still lower than county averages that were as high as 10.8% for individuals, 7.7% for families, 14.1% for children and 7.5% for seniors.

**Table III-6  
Poverty Status  
1979-2010**

	1979		1989		1999		2010	
	#	%	#	%	#	%	#	%
Individuals Below Poverty	602	4.0	643	5.0	828	5.6	1,156	6.5
Families	125	3.2	70	2.0	89	2.3	118	2.5
Related Children - Under 18 Years	54	1.4	105	3.3	56	1.6	213	4.7
Individuals - 65 and Over	127	7.6	108	6.9	98	6.1	113	5.9

Source: 1980, 1990, and 2000 U.S. Census Bureau (Summary File 3) and 2006-2010 American Community Survey

- \* Percentage of total population
- \*\* Percentage of all families
- \*\*\* Percentage of all related children under 18 years
- \*\*\*\* Percentage of all individuals age 65+

## **7. Education – Increasing educational attainment and school enrollments**

The educational attainment of Grafton residents improved since 1990. In 2010, estimates suggest that 95.5% of those 25 years and older had a high school diploma or higher, and 54.3% had a Bachelor's degree or higher, double the 1990 figure of 24% with a college degree and higher.

Those enrolled in school (nursery through graduate school) totaled 4,960 or 27.9% of the population, an increase of 1,193 children since 2000. Students enrolled in kindergarten through high school totaled 3,501 or about one-fifth of the population, representing an increase of 808 children since 2000. Grafton's School Department enrollment figures indicate that the number of students increased from 2,229 during the 2000-2001 school year to 2,905 by 2011-2012, representing an increase of 30.3%. This is considerably higher than the population growth rate of 19.3% during the same period.

## **8. Disability Status<sup>13</sup> – Significant special needs**

Of the population age 5 to 20 years old, 197 or 6.3% had some disability, and of the population age 21 to 64, 1,397 or 15.7% claimed a disability, but 72.8% of this group was employed leaving 380 residents unemployed, most likely due to disability. In regard to the population 65 years of age or older, 618 or 38.2% of those in this age group claimed some type of disability. Consequently, a total of 2,212 residents, or about 12% of all residents claimed a disability. These levels of disability, particularly that of seniors, represent significant special needs within the Grafton community.

## **9. Employment – Increasing employment**

Of those 13,043 Grafton residents over the age of 16 in 2010, 9,723 or about three-quarters (74.5%) were in the labor market according to the Census Bureau's American Community Survey for 2006-2010. It should also be noted that 80.3% of workers drove alone to work, another 7.0% carpooled and

<sup>13</sup> This information is from the 2000 census as the US Census Bureau has provided no updated data on disability status since.

only 3.9% used public transportation according to American Community Survey estimates. The average commuting time was about 33.1 minutes, suggesting employment opportunities were typically located either in or nearby the Worcester area.

The 2006-2010 Census Bureau's American Community Survey data also provided information on the concentration of Grafton workers by industry, indicating that more than half (54.7%) of local workers were involved in management or professional occupations and the remainder employed in the lesser paying retail and service-oriented jobs that support the local economy including sales and office occupations (22.1%), service occupations (11.2%), production and transportation (5.8%), and construction and maintenance (6.1%). Almost 80% of Grafton's labor force involved salaried workers, another 13.7% were government workers, and 6.5% were self-employed.

Detailed labor and workforce data from the state on employment patterns shows an average employment of 9,789 employed workers as of the end of 2011 as opposed to an employed workforce in 2000 of 8,390 workers, indicative of some significant job expansion over the decade. The data also indicates that the average weekly wage of \$953, representing an annual wage of approximately \$49,500, within the 80% of area median income level. Data also indicates an unemployment rate of 5.3% as of the end of 2011, compared to 6.0% for Boston and 7.7% for Worcester.

## **B. Housing Profile**

This section of the Housing Needs Assessment summarizes housing characteristics and trends, analyzes the housing market from a number of different data sources and perspectives, compares what housing is available to what residents can afford, summarizes what units are defined as affordable by the state, and establishes the context for identifying priority housing needs.

### **1. *Housing Growth – Higher housing versus population growth rates***

The 2010 census counted 7,177 total housing units, up from 5,828 units in 2000 and representing a housing growth rate of 23.1%, which is higher than the overall population growth rate of 19.3% for the same period. More than 40% of Grafton's housing stock, 3,088 units, was built prior to 1970, and 1,413 units or almost 20% of the housing stock was built prior to World War II, which is well below the state average of 35.5% and the county figure of 39%. There were significant numbers of units produced between 1970 and 1990, totaling 1,753 units or about one-quarter of the housing stock, and another 987 units were produced from 1990 through 2000, representing a significant portion of newer housing in Grafton that is likely to be in good condition. Housing growth has occurred predominantly in single-family detached structures. Most other housing types, with the exception of large multi-family dwellings, showed declines in unit numbers over the last decade.

**Table III-7  
Year Structure Built**

<b>Year</b>	<b>#</b>	<b>%</b>
2000 to 2010	1,349	18.8
1990 to 1999	987	13.8
1980 to 1989	891	12.4
1970 to 1979	862	12.0
1960 to 1969	600	8.4
1940 to 1959	1,075	15.0
1939 or earlier	1,413	19.7
<b>Total</b>	<b>7,177</b>	<b>100.0</b>

*Source: 2000 and 2010 U.S. Census Bureau*

The fact that Grafton added 2,740 units from 1970 to 2000 and another 1,349 housing units through 2010, indicates a very high level of growth, which has put substantial pressures on the town's infrastructure and services, offering a compelling reason to manage additional growth in a way that will be more responsive to local needs and priorities. Since the 2010 census results were released, another 60 single-family units have been built, one duplex (two units), and 29 new condo units for a total of 91 new units through mid-February 2012, based on building permit data, for a total of 7,268 housing units.

## 2. *Types of Units – Largely single-family, owner-occupied units*

As presented in Table III-8, 96% of the town's total housing units in 2010, or 6,892 units, were occupied that included 5,167 owner-occupied units, 75.0% of the occupied housing stock, and the remaining 1,725 renter-occupied units, or 25.0% of all occupied units. While 544 rental units have been added to the housing stock since 1980, the percentage of rental units has declined from 30.6% to 25.0%. These figures also indicated a significantly higher level of owner-occupancy in 2010 than Worcester County as a whole at 65.3% and for the state at 56.5%.

**Table III-8  
Housing Characteristics  
1980-2010**

	1980		1990		2000		2010	
	#	%	#	%	#	%	#	%
Total # Units	4,010	100.0	5,035	100.0	5,828	100.0	7,177	100.0
Occupied Units *	3,863	96.3	4,799	95.3	5,694	97.7	6,892	96.0
Occupied Owner Units **	2,682	69.4	3,283	68.4	4,116	72.3	5,167	75.0
Occupied Rental Units **	1,181	30.6	1,516	31.6	1,578	27.7	1,725	25.0
Total Vacant Units/ Seasonal, Recreational or Occasional Use*	142/0	3.5/0	236/8	4.7/0.2	134/8	2.3/0.1	285/17	4.0/0.2
Average House-Hold Size of Owner-Occupied Unit	-		2.87 persons		2.76 persons		2.77 persons	
Average House-Hold Size of Renter-Occupied Unit	-		2.13 persons		1.96 persons		1.96 persons	

Source: 1980, 1990, 2000 and 2010 U.S. Census Bureau

\* Percentage of total housing units.

\*\* Percentage of occupied housing units

As shown in Table III-9, the substantial majority of the existing housing units are in single-family, detached structures that included 4,067 units or 62.4% of the housing stock. Another 727 units involved single, attached homes bringing the total percentage of single-family homes in Grafton to 73.6 %, up from 68.4% in 2000. This level is much higher than the 56.2% level for the county. There were 913 units in two to four-unit buildings, down from 1,012 in 2000, representing a decline in the smaller multi-family housing stock. Another 649 units were in five to nine-unit structures. There were an additional 173 units in very large multi-family structures of more than ten units as well as ten (10) mobile homes.

**Table III-9  
Units in Structure  
1990 - 2010**

Type of Structure	1990		2000		2010*	
	#	%	#	%	#	%
1-Unit Detached	2,877	57.1	3,535	60.7	4,067	62.4
1-Unit Attached	435	8.6	453	7.8	727	11.2
2 to 4 Units	930	18.5	1,012	17.4	913	14.0
5 to 9 Units	590	11.7	649	11.1	427	6.6
10 or More Units	152	3.0	173	3.0	372	5.7
Other/mobile homes)	51	1.0	6	0.1	10	0.2
<b>Total</b>	<b>5,035</b>	<b>100.0</b>	<b>5,828</b>	<b>100.0</b>	<b>6,516</b>	<b>100.0</b>

Source: 1990 and 2000 U.S. Census Bureau and 2006-2010 American Community Survey.

\* These 2010 survey estimates indicate significantly fewer housing units from the 100% data from the 2010 census, 6,516 versus 7,177 units.

The median number of rooms per housing unit was 6.3, up from 5.9 rooms in 2000, indicating that *homes are getting larger* and the average home had at least three (3) bedrooms. There were no single-room units counted, and almost half (45.8%) of the units had seven (7) rooms or more.

### **3. Vacancy Rates -- Low**

The 2010 census counted 4.0% of the housing stock, or 285 units, as vacant, of which 17 units involved seasonable, recreational or occasional use. The homeowner vacancy rate was 1.3% and the rental vacancy rate was 5.5%. While vacancy rates increased somewhat since 2000, these vacancy rates are still relatively low as any level below 5% is considered to represent tight market conditions and the rates remain below that of the state and nation as a whole as noted in Table III-10.

**Table III-10  
Vacancy Rates  
2000 and 2010**

Vacancy Rates by Tenure				
Tenure	2000	2010	MA 2010	Nation 2010
Renter-Occupied Units	3.2%	5.5%	6.5	9.2%
Owner-Occupied Units	0.4%	1.3%	1.5	2.4%

### **4. Housing Market Conditions**

#### **Homeownership Units**

The census indicates that the 2010 median house value was \$361,000, about twice of what it was in 2000 (\$183,500). The 2000 census showed that Grafton still had a fairly sizable supply of affordable homes including more than 2,000 or 58% of the owner-occupied units valued at less than \$200,000 and 137 valued at less than \$100,000.<sup>14</sup> Values increased substantially through 2010 despite the downturn in the housing market with only 232 units assessed below \$200,000, 24 at less than \$100,000 as summarized in Table III-11.

<sup>14</sup> Census housing values are derived from Assessor's data.

**Table III-11**  
**Housing Values - 2010**

<b>Value</b>	<b>Number of Units *</b>	<b>% Units</b>
Less than \$50,000	14	0.3
\$50,000 to \$99,999	10	0.2
\$100,000 to \$149,999	63	1.3
\$150,000 to \$199,999	145	3.0
\$200,000 to \$299,999	1,148	23.9
\$300,000 to \$499,999	2,561	53.4
\$500,000 to \$999,999	854	17.8
\$1 million or more	0	0.0
<b>Total</b>	<b>4,795</b>	<b>100.0</b>
Median (dollars)	\$361,000	

Source: 2006-2010 U.S. Census Bureau American Community Survey.

\*Survey data counts fewer housing units than the 100% 2010 census data, 4,795 versus 5,167 units.

Housing prices in Grafton were high in comparison to Worcester County with a median single-family house value of \$337,000 as of the end of 2012 in comparison to \$199,000 for the County in both 2011 and 2012 based on updated *Banker & Tradesman* data from The Warren Group. Housing market information since 1990 is summarized in Table III-12.

**Table III-12**  
**Median Sales Prices - 1990 - 2012**

<b>Year</b>	<b>Months</b>	<b>Single-family</b>	<b>Condo (#)</b>	<b>All Sales</b>	<b># Sales</b>
2012	Jan – Dec	\$337,000 (159)	\$220,000 (69)	\$279,000	279
2011	Jan – Dec	309,000 (134)	205,000 (59)	265,000	253
2010	Jan – Dec	355,000 (121)	239,500 (59)	300,000	217
2009	Jan – Dec	330,000 (127)	215,000 (86)	295,000	237
2008	Jan – Dec	326,000 (112)	218,000 (61)	287,500	220
2007	Jan – Dec	394,000 (153)	322,250 (106)	349,230	298
2006	Jan – Dec	385,000 (182)	318,912 (224)	339,200	456
2005	Jan – Dec	422,500 (184)	319,155 (229)	365,000	562
2004	Jan – Dec	380,000 (265)	275,000 (120)	380,000	585
2003	Jan – Dec	341,500 (200)	234,700 (104))	318,500	406
2002	Jan – Dec	313,000 (149)	211,000 (100)	290,000	367
2001	Jan – Dec	285,425 (180)	175,000 (122)	250,000	384
2000	Jan – Dec	265,000(183)	143,000 (78)	193,850	316
1999	Jan – Dec	236,886 (286)	121,500 (112)	181,960	455
1998	Jan – Dec	173,500 (214)	109,900 (137)	150,000	435
1997	Jan – Dec	170,000 (182)	94,500 (74)	141,500	301
1996	Jan – Dec	170,035 (177)	89,900 (69)	140,675	282
1995	Jan – Dec	161,950 (134)	92,500 (66)	131,000	235
1994	Jan – Dec	164,000 (155)	86,500 (42)	135,000	232
1993	Jan – Dec	139,000 (129)	84,000 (41)	118,950	200
1992	Jan – Dec	146,000 (123)	82,500 (32)	135,000	183
1991	Jan – Dec	137,000 (103)	90,000 (34)	129,000	154
1990	Jan – Dec	155,000 (92)	116,875 (35)	137,450	223

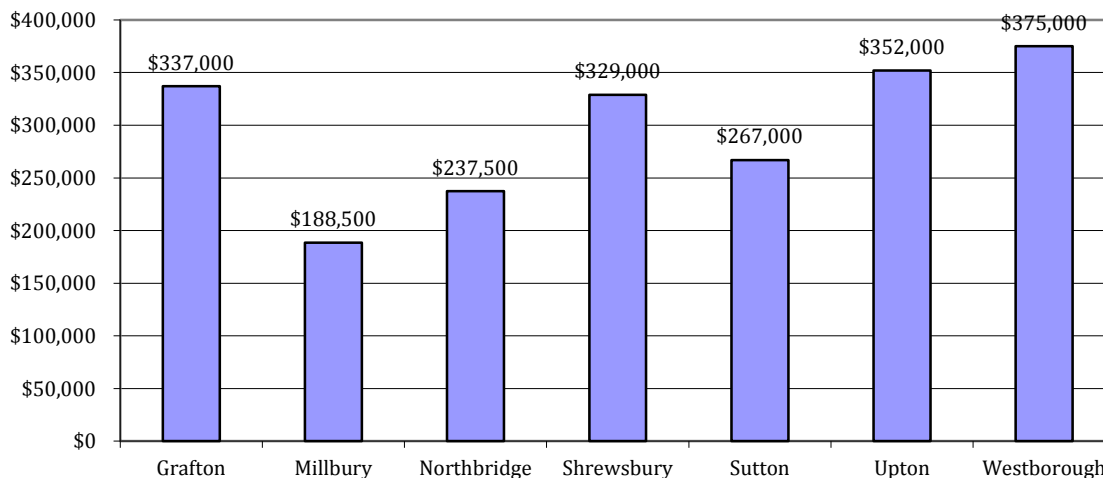
Source: The Warren Group, March 20, 2013

After a decline in market prices in the early 1990's, due largely to an economic slump at that time, the market began to revive in the late 90's. After that the market escalated precipitously, up 120% from \$173,000 in 1998 to \$380,000 by the end of 2004 for single-family homes. In 2005, the height of Grafton's housing market, the median single-family home price reached \$422,500, which was more than three times the 1993 home price and almost 60% more than the 2000 median price. It is interesting to note that there has been considerable fluctuation in single-family home prices over the past few years despite the recent financial crisis, going from \$394,000 in 2007, down to \$326,000 the next year, climbing to \$355,000 by 2010, down again to \$309,000 in 2011, and up again to \$337,000 in 2012. The number of single-family home sales has also fluctuated, ranging from a low of 92 sales in 1990 to a high of 286 in 1999. Sales activity declined after that to a low of 112 in 2008 and up only somewhat to 134 in 2011, and up further to 159 in 2012.

Condominiums represent a significant portion of the housing market in Grafton, about 17% of all units, with median sales prices that have ranged from a low of \$82,500 in 1992 to \$322,350 by 2007. Since then prices have fallen considerably to \$205,000 by the end of 2011 after some gains in 2010, but up somewhat again in 2012 to \$220,000. The volume of sales has also declined from as many as 229 condo sales in 2005 to 59 in both 2010 and 2011, and then up slightly to 69 by 2012. The recent housing crisis and accompanying challenges in obtaining financing for condos have contributed to overall decreases in both sales activity and market prices.

The 2012 median single-family home price in Grafton of \$337,000 is towards the higher end of the range of market values in comparison to the median prices of neighboring communities, from a low of \$188,500 in Millbury to a high of \$375,000 in Westborough. Figure III-2 presents this data as of the end of 2012.<sup>15</sup>

**Figure III-2**  
**2012 Median Single-family Sales Prices: Grafton and Neighboring Communities**



A summary of sold property in various price ranges is provided in Table III-13, covering the period from June 2011 through January 2012. During this timeframe there were 134 sales, including 95 single-family homes and 39 condos with median sales prices of \$355,000 and \$181,000, respectively.

<sup>15</sup> The Warren Group, as of April 17, 2013.

**Table III-13**  
**Single-family House and Condo Sales, June 2011 through January 2012**

Price Range	Single-family Homes		Condominiums		Total	
	#	%	#	%	#	%
Less than 100,000	2	2.1	4	10.3	6	4.5
\$100,000-149,999	8	8.4	3	7.7	11	8.2
\$150,000- 199,999	11	11.6	15	38.5	26	19.4
\$200,000-249,999	13	13.7	5	12.8	18	13.4
\$250,000-299,999	12	12.6	8	20.5	20	14.9
\$300,000-349,999	10	10.5	3	7.7	13	9.7
\$350,000-399,999	11	11.6	1	2.6	12	9.0
\$400,000-499,999	10	10.5	0	0.0	10	7.5
\$500,000 – 599,000	11	11.6	0	0.0	11	8.2
Over \$600,000	7	7.4	0	0.0	7	5.2
<b>Total</b>	<b>95</b>	<b>100.0</b>	<b>39</b>	<b>100.0</b>	<b>134</b>	<b>100.0</b>

*Source: Banker & Tradesman/The Warren Group, February 6, 2012*

There were 21 single-family homes and 22 condos that sold for less than \$200,000 and likely to be affordable to those earning within 80% of area median income, although most are likely to require at least a moderate level of improvements. Another 38 units sold between \$200,000 and \$300,000, still relatively affordable. Sales prices were actually somewhat evenly distributed among the price ranges, suggesting some real diversity of the housing stock, from starter housing, likely needing substantial TLC, to high-end units of more than \$500,000.

**Table III-14**  
**Assessed Values of Single-family and Condominiums - 2012**

Assessment	Single-family Dwellings		Condominiums		Total	
	#	%	#	%	#	%
0-\$99,999	3	0.1	32	2.6	35	0.6
\$100,000-149,000	23	0.5	105	8.5	128	2.3
\$150,000-199,999	306	7.3	484	39.0	790	14.5
\$200,000-249,999	928	22.0	181	14.6	1,109	20.3
\$250,000-299,999	720	17.1	299	24.1	1,019	18.7
\$300,000-349,999	597	14.2	126	10.1	723	13.2
\$350,000-399,999	485	11.5	15	1.2	500	9.2
\$400,000-449,999	409	9.7	0	0.0	409	7.5
\$450,000-499,999	248	5.9	0	0.0	248	4.5
\$500,000-599,999	330	7.8	0	0.0	330	6.0
\$600,000 or more	169	4.0	0	0.0	169	3.1
<b>Total</b>	<b>4,218</b>	<b>100.0</b>	<b>1,242</b>	<b>100.0</b>	<b>5,460</b>	<b>100.0</b>

*Source: Grafton Assessor, Fiscal Year 2012.*



Data from the Assessor's Office on the assessed values of residential properties in Grafton is presented in Tables III-14 and III-15, which provides some insights into not only the diversity of the existing housing stock but also the range of values for each dwelling type. Table III-14 provides information on the assessed values of single-family homes and condominiums. This data shows that Grafton had 4,218 single-family properties, and there were only 332 such units that were valued below \$200,000. About 40% of the units were assessed between \$200,000 and \$300,000, still relatively affordable. Another 14.2% were assessed from \$300,000 to \$350,000. The median assessed value was \$308,900, just a bit off the median sales price as of the end of 2011 of \$309,000 according to The Warren Group.

There were 1,242 condominiums counted in Assessor's records, or about 17% of all housing units. Not surprisingly, the condos were assessed more affordably on a whole than the single-family homes with 35 units assessed below \$100,000 and 16.8% assessed between \$100,000 and \$200,000. About 40% of the condos were valued between \$200,000 and \$300,000. The median assessed value was \$199,300, somewhat lower than the median condo sales price of \$205,000 as of the end of 2011 according to The Warren Group.

Assessor's data for multi-unit properties, as summarized in Table III-15, indicated that there were 240 two-family homes (480 units), 41 three-families (123 units), and 72 structures of four to eight units. There were also 22 properties that involved more than one house on the same lot with a wide fluctuation in values. The data also showed that a substantial segment of the two- and three-family properties were assessed between \$200,000 and \$300,000, 70.1% and 63.4%, respectively. Most of these small multi-family properties were valued at less than \$350,000, and were therefore likely to be affordable to those earning at or below 80% AMI given the additional income that comes with these properties that can be calculated in mortgage underwriting. These properties also are likely to require some significant improvements, however. It should be noted that these properties include some of the most affordable units in the private housing stock, also typically providing both homeownership and rental opportunities.

**Table III-15**  
**Assessed Values of Multi-family Properties - 2012**

Assessment	2-unit properties		3-unit properties		Multiple houses on 1 lot/4-8 unit properties		Total	
	#	%	#	%	#	%	#	%
0-\$199,999	39	16.3	0	0.0	0/1	1.1	40	10.7
\$200,000-249,999	113	47.1	10	24.4	2/12	14.9	137	36.5
\$250,000-299,999	55	22.9	16	39.0	5/13	19.1	89	23.7
\$300,000-349,999	17	7.1	9	22.0	5/29	36.2	60	16.0
\$350,000-399,999	13	5.4	5	12.2	5/12	18.1	35	9.3
\$400,000 or more	3	1.3	1	2.4	5/5	10.6	14	3.7
<b>Total</b>	<b>240</b>	<b>100.0</b>	<b>41</b>	<b>100.0</b>	<b>22/72</b>	<b>100.0</b>	<b>375</b>	<b>100.0</b>

*Source: Grafton Assessor, Fiscal Year 2012.*

More than half of the 72 total four (4) to eight (8) unit properties were valued between \$250,000 and \$350,000. There were also 20 properties with more than eight (8) units, assessed from as low as \$520,200 to a high of \$7,671,300. Assessor's data also included four (4) mobile homes valued between \$121,300 and \$197,700 although the 2010 census counted ten (10).

## Rental Units

The 2010 census indicated that there were 1,725 rental units in Grafton, a gain of 147 units since 2000. The median gross rental was \$882, up 41% from the 2000 median of \$625. Rental units comprised one-quarter of Grafton's housing stock, down from 28% in 2000 and less than the county's rental housing stock of 34.7%. Additionally, Grafton's rental market is only slightly more costly, \$882 versus a median gross rent of \$867 for Worcester County as a whole.

**Table III-16**  
**Rental Costs - 1980-2010**

Gross Rent	1980		1990		2000		2010	
	#	%	#	%	#	%	#	%
Under \$200	311	27.1	167	11.1	51	3.3	0	0.0
200-299	596	51.9	57	3.8	96	6.2	59	4.3
300-499	193	16.8	266	17.7	193	12.4	75	5.5
500-749	0	0.0	660	44.0	812	52.1	285	20.8
750-999			237	15.8	236	15.1	477	34.8
1,000-1,499			80	5.3	71	4.6	402	29.4
1,500 or more					0	0.0	71	5.2
<b>Total</b>	<b>1,148</b>	<b>100.0</b>	<b>1,500</b>	<b>100.0</b>	<b>1,559</b>	<b>100.0</b>	<b>1,369 *</b>	<b>100.0</b>
No cash rent	48	4.2	33	2.2	100	6.4	61	4.5
Median rent	\$239		\$565		\$625		\$882	

Sources: U.S. Census Bureau, 1980, 1990 and 2000 Summary File 3 and 2006-2010 American Community Survey.

\*This is survey data that counts far fewer units than the actual 100% 2010 census, 1,725 versus 1,369 rental units.

Like housing values for homeownership units, rental values tend to be underestimated in the census data and actual market rents are typically higher. Craigslist, a popular posting for apartments, listed only three (3) available rental units in Grafton in February 2012, \$1,250 for a two-bedroom in North Grafton, \$1,475 for a two-bedroom townhouse, and \$1,430 for a three-bedroom townhouse.

## C. Affordability Analysis of Existing Market Conditions

While it is useful to have a better understanding of past and current housing costs, it is also important to analyze the implications of these costs on affordability. Tables III-17 and III-18 look at affordability from two different vantage points. Table III-17 calculates what households earning at various income levels can afford with respect to types of housing, and Table III-18 examines some of the housing costs summarized above in Section III.B, estimating what households must earn to afford these prices *based on spending no more than 30% of their income on housing expenses*, the commonly applied threshold of affordability.

In addition to showing how different types of housing are more or less affordable to households earning at median income and at 80% of area median income, Table III-17 also indicates that the amount of down payment has a substantial bearing on what households can afford. Only several years ago it had been fairly easy for purchasers to limit their down payments to 5% or even less as long as they paid private mortgage insurance or qualified for a subsidized mortgage program such as the

state's Soft Second Loan Program or MassHousing offerings. Given the recent financial crisis of the last few years, lenders have been applying more rigid lending criteria, including the need for down payments as high as 20% of the purchase price. Such high cash requirements make homeownership, particularly first-time homeownership, much more challenging. As Table III-17 demonstrates, a household earning the same level of income can acquire a much higher priced home with more cash down as they are borrowing less.

**Table III-17**  
**Affordability Analysis I**  
**Maximum Affordable Prices Based on Income Levels**

Type of Property	Income Level	30% of Monthly Income	Estimated Max. Affordable Price 5% Down ***	Estimated Max. Affordable Price 20% Down ***
<b>Single-family</b>	Median Income = \$91,743*	\$2,293.58	\$330,000	\$394,000
	80% AMI = \$58,500**	\$1,462.50	\$218,000	\$250,000
<b>Condominium</b>	Median Income = \$91,743*	\$2,293.58	\$295,000	\$350,000
	80% AMI = \$58,500**	\$1,462.50	\$180,000	\$206,000
<b>Two-family</b>	Median Income = \$91,743*	\$2,293.58	\$430,000	\$510,000
	80% AMI = \$58,500**	\$1,462.50	\$320,000	\$367,000
		30% of Monthly Income	Estimated Utility Cost	Affordable Monthly Rental
<b>Rental</b>	Median Income = \$91,743*	\$2,293.58	\$135	\$2,158.58
	80% AMI = \$58,500**	\$1,462.50	\$135	\$1,327.50
	50% AMI = \$39,600**	\$990.00	\$135	\$855.00
	30% AMI = \$23,750**	\$593.75	\$135	\$458.75

Source: Calculations provided by Karen Sunnarborg.

\* Based on the U.S. Census Bureau's American Community Survey estimate for 2010.

\*\* HUD 2012 Income Limits for the Boston area for a household of three (3), which is the average household size in Grafton (2.56 persons). (Note that HUD income limits were released subsequent to this analysis but the 2013 limits at the 80% AMI level was only \$500 less than the 2012 figure.)

\*\*\* Figures based on interest rate of 5.5%, 30-year term, annual property tax rate of \$14.13 per thousand, insurance costs of \$1.25 per \$1,000 of combined valuation of dwelling value (value x 0.5), personal property (\$100,000 fixed), and personal liability (\$100,000 fixed), and private mortgage insurance (PMI) estimated at 0.3125% of loan amount for 95% financing, estimated monthly condo fees of \$250, and rental income of 75% of \$900 or \$675. Figures do not include underwriting for PMI in calculations with a 20% down payment and assume that purchasers earning at or below 80% of AMI would qualify for the Soft Second Loan Program or other subsidized mortgage program that would not require PMI.

Table III-17 also shows that because condo fees are calculated as housing expenses in mortgage underwriting criteria, they are more expensive. Therefore, a household earning at 80% of area median income, for example, can afford a single-family home of \$218,000 with a 5% down payment, but a condo for only \$180,000, assuming a condo fee of \$250 per month. The same household is estimated to be able to buy a two-family house for \$320,000 as it can likely charge at least \$900 per month in

rent, which is considered as income in mortgage underwriting, usually at about 75% of the rent level or \$675. A three-family house is even more affordable with two paying tenants, and it is therefore not surprising that the two-family house and triple-decker have been so successful as starter housing in many of the state's older communities when zoning allowed this type of housing.

Table III-17 also looks at what renters can afford at three (3) different income levels. For example, a three-person household earning at 50% of area median income and earning \$39,600 annually could afford an estimated monthly rental of about \$855.00, assuming they are paying no more than 30% of their income on housing and pay utility bills that average \$135 per month. A rental this low is increasingly difficult to find in Grafton, where the median rent in 2010 was \$882. Since then rents have been increasing and the lowest rental advertised in February 2012 for a two-bedroom apartment in Craigslist was \$1,250. Apartments also likely require first and last month's rent and a security deposit. This means that any household looking to rent in the private housing market must have a considerable amount of cash available, which has a significant impact on affordability.

Table III-18 examines affordability from another angle, going from specific housing costs to income. Using median price levels for single-family homes, condos and two-family homes, the incomes that would be required to afford these prices are calculated, also showing the differences between 95% and 80% financing and 2011 and 2012 (differences in property tax rates and mortgage interest rates). For example, using the median single-family home price as of the end of 2012 of \$337,000, a household would have to earn approximately \$84,600 if they were able to access 95% financing. Based on 80% financing with a 20% down payment, a lower income of about \$71,000 would be required.

The median condo price was \$220,000 as of the end of 2012, requiring an income of approximately \$64,600 with 5% down and \$55,700 with the 20% down payment. Because of the income generated in a two-family home, this type of property is significantly more affordable requiring an estimated income of \$57,600 or \$44,000 based on 95% and 80% financing, respectively.

**Table III-18**  
**Affordability Analysis II**  
**Income Required to Afford Median Prices or Minimum Market Rents**

Type of Property	Median Price*	Estimated Mortgage		Income Required **	
		5% Down	20% Down	5% Down	20% Down
Single-family	\$309,000 (2011) \$337,000 (2012)	\$293,550 \$320,150	\$247,200 \$269,600	\$85,000 \$84,600	\$69,200 \$71,000
Condominium	\$205,000 (2011) \$220,000 (2012)	\$194,750 \$209,000	\$164,000 \$176,000	\$66,750 \$64,500	\$56,200 \$55,700
Two-family	\$309,000 (2011) \$337,000 (2012)	\$293,550 \$320,150	\$247,200 \$269,600	\$58,000 \$57,600	\$42,200 \$44,000
	Estimated Market Monthly Rental ***	Estimated Monthly Utility Costs	Income Required		
Rental					
One-bedroom	\$813	\$100	\$36,520		
Two-bedroom	\$991	\$135	\$45,040		
Three-bedroom	\$1,182	\$175	\$54,280		

Source: Calculations provided by Karen Sunnarborg.

- \* From The Warren Group Town Stats data for single-family and condos as of the end of 2011 and 2012 as noted. Used the same price as the single-family for the two-family example.
- \*\* Figures based on interest of 5.5% (2010/2011) or 4.5% (2012), 30-year term, annual property tax rate of \$14.13 per thousand (2011) or \$15.55 (2012), insurance costs of \$1.25 per \$1,000 of combined valuation of dwelling value (value x 0.5), personal property (\$100,000 fixed), and personal liability (\$100,000 fixed), and private mortgage insurance estimated at 0.3125% of loan amount, estimated monthly condo fees of \$250, and rental income of 75% of \$900 or \$675. PMI calculated for only units with 95% financing. Given changes in property tax rates and mortgage interest rates, the income calculations for 2011 and 2012 are not significantly different despite higher median sales prices. \*\*\* Based on the high HOME Program rent level for the Worcester area.

In regard to rentals, a one-bedroom unit renting for \$813 would require an income of \$36,520, assuming \$100 per month in utility bills and housing expenses of no more than 30% of the household's income. This is double what someone earning minimum wage of \$8.00 for 40 hours per week every week earns during the year with a gross income of only \$16,640. Households with two persons earning the minimum wage would still fall short of the income level needed to afford this rent. While there are rents that fall below this level, particularly subsidized rents, *market rents tend to be beyond the reach of lower wage earners. Consequently, renters have been paying much more than 30% of their incomes to live in Grafton.*

Through the combination of information in Tables III-17 and III-18, it is possible to compute the affordability gap, typically defined as the difference between what a median income household can afford and the median priced unit on the market. There was no affordability gap as of the end of 2011 for single-family homes, based on what a median income household could afford (for an average household of three and 80% financing) of \$394,000 and the median house price of \$309,000. Even for 2012, when the

median increased to \$337,000, there was no calculated affordability gap. Similarly, there were no affordability gaps for condos and two-family homes. However, the upfront cash requirements for the down payment and closing costs of about \$70,000 in the case of single-family homes and 80% financing, for example, substantially challenge purchasers, particularly first-time homebuyers.

When looking at the affordability gap for those earning at 80% of area median income, the affordability gap is approximately \$87,000 for single-family homes, the difference between the median priced single-family home (\$337,000) and what a three-person household earning at this income level can afford, or \$250,000, based on 80% financing, a gap of about \$119,000 in regard to 95% financing. The affordability gap for condos for households earning at 80% of median income was \$25,000 in 2011 based on 95% financing and up somewhat to \$40,000 in 2012 based on a small increase in median value. In both cases, *the upfront costs of the down payment and closing costs add considerably to the affordability gap.*

**Table III-19**  
**Affordability Analysis III**  
**Relative Affordability of Single-family and Condo Units, 2012**

Price Range Single-family/Condo*	Income Range	Single-family Homes Available in Price Range		Condominiums Available in Price Range	
		Number	%	Number	%
Less than \$218,000/ Less than \$180,000	Less than 80% AMI	707	16.8	456	36.7
\$218,001- \$394,000/ \$180,001-\$350,000	80% - 100%	2,301	54.6	771	62.1
More than \$394,000/ more than \$350,000	More than 100%	1,210	28.7	15	1.2
<b>Total</b>		<b>4,218</b>	<b>100.0</b>	<b>1,242</b>	<b>100.0</b>

*Source: Grafton Assessor's Database for Fiscal Year 2012. Please note that as a standard practice, assessed value is assumed to be 93% of actual value or potential sale price. Figures based on a three-person household.*

\* Includes estimated condo fee of \$250 per month and figures are based on 80% financing except for the less than 80% AMI category where households could possibly qualify for subsidized mortgage programs where 95%/97% financing is available.

Table III-19 identifies how many single-family homes and condos exist in Grafton that were affordable within various income categories. There were 707 single-family homes and 456 condos that were estimated to be affordable to those earning at or below 80% of the area median income (AMI). About half (54.1%) of the single-family units and 62.1% of the condominiums were affordable to those earning from 80% to 100% AMI. This represents some substantial affordability in the housing stock. However, the ability to obtain financing, including issues related to credit history and cash requirements, can provide substantial barriers to accessing housing. It is also important to note that this analysis is based on assessed values of all properties in Grafton, not what is available on the market (see Table III-13 for market activity and prices from June 2011 through January 2012).

It is also useful to identify *how much households are actually spending on housing* whether for ownership or rental. Such information is helpful in assessing how many households are encountering housing affordability problems, defined as spending more than 30% of one's household income on housing. HUD estimates based on the 2006-2010 American Community Survey from the Census Bureau indicated that 414 or 10.6% of the homeowners in Grafton were spending between 30% and 34% of their income on housing and another 827 or 21.1% were spending more than 35% of their income on housing expenses. In regard to renters, 222 renters or 16.3% were spending between 30% and 34% of their income on housing and another 416 or 30.6% of renting households were allocating 35% or more for housing. This data suggests that *1,879 households or 27.3% of all Grafton households were living in housing that is by common definition beyond their means and unaffordable.*

**Table III-20**  
**Cost Burdens by Tenure and Income Level, 2009**

<b>Type of Household</b>	<b>Households Earning &lt; 30% MFI/# with cost burdens**</b>	<b>Households Earning &gt; 30% to &lt; 50% MFI/ # with cost burdens**</b>	<b>Households Earning &gt; 50% to &lt; 80% MFI/# with cost burdens**</b>	<b>Total Earning &lt; 80% MFI/# with cost burdens**</b>
Elder Renters	110/10-45	90/30-10	400/30-0	600/70-55
Small Family Renters	40/0-40	80/20-35	115/0-0	235/20-75
Large Family Renters	0/0-0	0/0-0	0/0-0	0/0-0
Other Renters	75/10-45	75/35-40	190/100-0	340/145-85
<b>Total Renters</b>	<b>225/20-130</b>	<b>245/85-85</b>	<b>705/130-0</b>	<b>1,175/235-215</b>
Elder Owners	55/25-25	75/10-35	300/40-85	430/75-145
Small Family Owners	20/0-20	35/10-15	145/60-40	200/70-75
Large Family Owners	40/0-40	0/0-0	45/25-10	85/25-50
Other Owners	30/10-15	30/15-15	60/20-40	120/45-70
<b>Total Owners</b>	<b>145/35-100</b>	<b>140/35-65</b>	<b>550/145-175</b>	<b>835/215-340</b>
<b>Total</b>	<b>370/55-230</b>	<b>385/120-150</b>	<b>1,255/275-175</b>	<b>2,010/450-555</b>

Source: U. S. Department of Housing and Urban Development (HUD), SOCDS CHAS Data, American Community Survey, 2005-2009.

\*\* First number is total number of households in each category/second is the number of households paying more than 30% of their income on housing (with cost burdens) – and third number includes those that are paying more than half of their income on housing expenses (with severe cost burdens). Small families have four (4) or fewer family members while larger families include five (5) or more members. “Other” renters and owners pertain to non-elderly and non-family households.

HUD provides additional data on housing affordability problems by tenure, type of household and income level through its CHAS Report. This report is summarized in Table III-20, based on 2005-2009 estimates from the Census Bureau's American Community Survey, the most recent figures available. The CHAS report highlights the following housing affordability issues:

- More than 2,000 households or almost one-third of all households earned at or below 80% of median family income (MFI) and might qualify for housing assistance based solely on income.

- Half of all those earning at or below 80% MFI were spending too much for housing, including one-quarter who were spending more than half of their income on housing.
- There were 555 households earning within 80% MFI who were spending 50% or more of their income on housing, including 215 renters and 340 owners.
- Even some earning more than 80% MFI were experiencing cost burdens including 750 households, all of whom were owners.
- Of the 370 households earning at or below 30% MFI, 285 or more than three-quarters were spending too much for housing, 62% spending more than half of their income on housing costs. Of the 145 owners in this income range, 135 had cost burdens with 100 spending more than half of their earnings on the expense of housing.
- More than two-thirds of the renters earning between 30% and 50% MFI experienced cost burdens with more than one-third spending at least half of their income on housing.
- More than 70% of 140 owners with incomes in the 30% to 50% MFI range were spending too much, almost half spending more than half their income on housing costs.
- About 21% of elderly renters and more than half of elderly owners were paying too much for their housing.
- All of the small families earning within 30% MFI were paying more than half of their income on housing.
- More than two-thirds of small families earning between 30% and 50% MFI who rented and over 70% of these families who owned their homes had cost burdens, 44% and 43% with severe cost burdens (spending more than half on housing), respectively.
- Moreover, given the recent financial crisis with accompanying problems associated with high cost mortgages from predatory lenders and unemployment, some homeowners in Grafton have lost their homes or are confronting possible foreclosure. Recent information on the *level of foreclosures* indicates that from March 1, 2011 through March 1, 2012, there were 17 foreclosure petitions filed and foreclosure auctions held on another 25 properties.<sup>16</sup> Since then, the numbers of foreclosures continued to increase as from the beginning of March 2012 through the end of March 2013, there were 40 foreclosure petitions filed and ten (10) actual auctions.<sup>17</sup>

#### **D. Subsidized Housing Inventory (SHI)**

To be counted as affordable under Chapter 40B, housing must be dedicated to long-term occupancy of income-eligible households earning at or below 80% of area median income through resale or rental restrictions (see Table II-2 for these income levels). Using these income guidelines, a family of three (the average household size in Grafton is 2.56 persons) would not be able to earn more than \$58,500 annually. Based on the Massachusetts Department of Housing and Community Development's most recent data on the Chapter 40B Subsidized Housing Inventory, Grafton had 7,160 year-round housing units (up considerably from 5,820 units before 2010), of which 313 were counted as part of the Subsidized Housing Inventory, representing 4.37% of the year-round housing stock. These units are summarized in Table III-21.

As mentioned earlier, to meet the 10% standard, at least 716 of the existing units would have to be "affordable" based on the state's definition, requiring more than 400 housing units to be built or

<sup>16</sup> The Warren Group, *Banker & Tradesman*, March 2, 2012.

<sup>17</sup> The Warren Group, *Banker & Tradesman*, April 17, 2013.

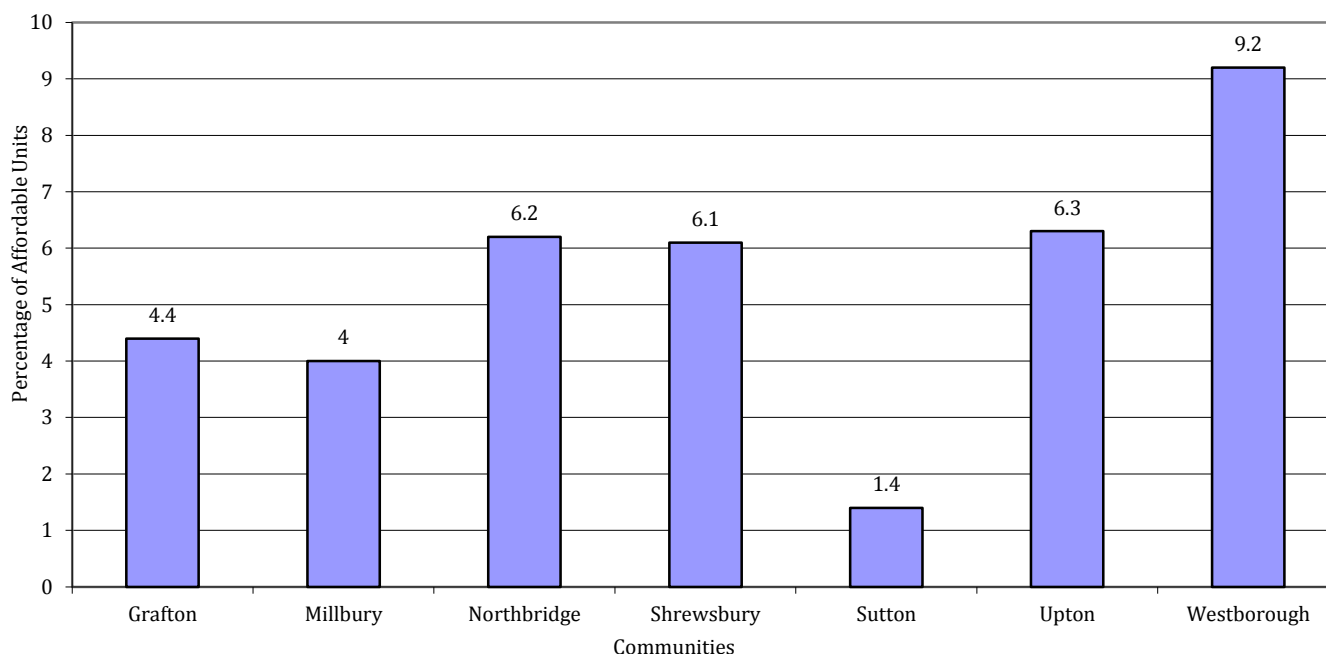


converted to affordable units in Grafton to meet just the 10% standard, a daunting challenge. Moreover, additional affordable units that will be required to keep pace with housing growth.

The Buildout analysis that was performed by the state's Executive Office of Environmental Affairs in 2001 projected that the town of Grafton could support a total of 10,167 housing units based on current zoning, suggesting that approximately another 3,000 units can be accommodated. This analysis indicates that in order to meet the 10% state standard at buildout, the projected growth would require approximately 700 additional units of affordable housing. Once again this is premised on current zoning, though it is worth noting that the analysis does not project how long it will take to achieve buildout. Based on past housing construction patterns, this goal would be remarkable and not likely achievable without a considerable investment of public and private resources and strong political will.

Most of Grafton's neighbors also have affordable housing levels below the state target, and most, like Grafton, face significant challenges in meeting the 10% state goal. The level of housing affordability in each of the surrounding towns is summarized in Figure III-3. None of Grafton's neighboring towns have produced enough affordable units to meet the state target of 10%, however the town of Westborough made significant progress at 9.2%.

**Figure III-3**  
**Percentage of SHI Units**



### **1. Current Inventory**

As summarized in Table III-21, Grafton had 313 affordable units counted as part of its Subsidized Housing Inventory as of August 31, 2011. Of the 313 affordable housing units in the SHI, 170 units (54.3%) are owned and managed by the Grafton Housing Authority including the following:

- **Veteran's Circle**

This 16-unit project was built in 1950 and was among the first public housing projects in the state, initially dedicated to providing housing for returning veterans following World War II. The project includes eight, two-bedroom units and eight, three-bedroom units for families. There is a huge demand for these units as there is little turnover. Given the age of the units, the Housing Authority is hoping to secure the necessary resources to make needed improvements.

**Table III-21  
Grafton's Subsidized Housing Inventory**

<b>Project Name</b>	<b># SHI Units</b>	<b>Project Type/ Subsidizing Agency</b>	<b>Use of a Comp Permit</b>	<b>Affordability Expiration Date</b>
Veteran's Circle *	16	Rental/DHCD	No	Perpetuity
Forest Lane *	64	Rental/DHCD	No	Perpetuity
Forest Lane *	24	Rental/DHCD	Yes	Perpetuity
Pleasant Court/Maxwell Dr.*	40	Rental/DHCD	No	Perpetuity
Forestview/Snow Road *	20	Rental/DHCD	Yes	Perpetuity
McHale Drive *	6	Rental/DHCD	Yes	Perpetuity
Green Acres Estate	48	Rental/HUD and RHS	No	2011 (Affordability being extended)
DDS Group Homes	25	Rental/Special Needs	No	NA
Hilltop Farms	64	Ownership/FHLBB	Yes	Perpetuity
Ferry Street	6	Ownership/DHCD	Yes	Perpetuity
<b>Total</b>	<b>313</b>	<b>218 (69.6%) rentals 70 (22.4%) ownership 25 (8.0%) special needs</b>		

*Source: Massachusetts Department of Housing and Community Development, August 31, 2011.*

\* Grafton Housing Authority units

- **Forest Lane**

The Forest Lane development includes 88 one-bedroom units for seniors and the disabled under the age of 60, including six handicapped accessible units.

- **McHale Drive**

Like Veteran's Circle, Mchale Drive is a development targeted to families. Built with state financing in 1987, the project has six units, a two-bedroom unit that is designed to be accessible to the handicapped and five, three-bedroom units. This development, also like Veteran's Circle, has very little turnover and an extensive wait list (applicants for family units at Mchale Drive and Veteran's Circle are grouped into one wait list).

- **Forestview (Snow Road)**

This project was developed as special needs housing by the Grafton Housing Authority but is currently managed by a social service provider, Riverside Community Care, for the state's Department of Mental Health patients. There are two buildings, each with five units, and another building with ten units that includes a mix of one and two-bedroom apartments.

- **Maxwell Drive (also known as Pleasant Court)**

The Maxwell Drive project was also developed as housing for seniors and the younger disabled. Built in 1964, it has 40 one-bedroom units.

The Grafton Housing Authority indicates that there is at least a one-year wait for units in their elderly developments for local residents, much longer for those who do not live in Grafton. At least 13.5% of

the units in these senior developments are reserved for those who are under the age of 60 and disabled, and waits of about five years can be expected for these units. Units in the Housing Authority's family developments rarely become available, as turnover usually occurs only upon eviction.

The Housing Authority does not administer rent subsidies, such as Section Housing Choice Vouchers, but refers potential applicants to other agencies such as RCAP Solutions.

There are 143 additional affordable units that have been built by other entities including:

- ***Green Acre Estates***  
Grafton Housing Associates, Inc. developed Green Acre Estates as a rental development for low-income seniors in 1981. The project has 48 units and was financed through Rural Development with Section 8 rental subsidies to enhance affordability. While the affordable units were threatened by expiring use restrictions, the project is being refinanced to extend affordability.
- ***Hilltop Farms***  
This 256-unit condominium project, developed by Pulte Homes through a Chapter 40B comprehensive permit, includes 64 affordable units with sales prices that initially ranged between \$133,000 and \$150,000 as opposed to the mid-\$300,000 level to more than \$400,000 for the market units.
- ***Ferry Street***  
This project consists of 24 units of which six (6) homeownership units were permitted through the comprehensive permit process with construction starting in the spring of 2012.
- ***DDS Group Homes***  
The Subsidized Housing Inventory includes 25 units of special needs housing for Department of Mental Retardation clients, which are spread among a number of group homes in neighborhoods of Grafton.

## ***2. Pipeline Projects***

There are a number of other projects that are in the pipeline, many which involve the Chapter 40B comprehensive permit process including:

- ***Adams Trust/Highpoint Estates***  
On December 24, 2002, Grafton's Zoning Board of Appeals approved the comprehensive permit for this project located off of Adams Road with conditions that were appealed to the state's Housing Appeals Committee (HAC) and finally approved for 76 units on January 2005. The subdivision involves 76 lots – 75 new homes and one existing home with 19 affordable units. Construction is underway and several affordable homes have already been built.
- ***Flint Pond Estates***  
This project involves 72 townhouse condominiums, 18 of which will be affordable, in 28 buildings on 21.5 acres on Creeper Hill Road. The developer submitted the comprehensive permit application through the state's Local Initiative Program (LIP)<sup>18</sup> on May 20, 2004, and

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<sup>18</sup> The Massachusetts Department of Housing and Community Development initiated the Local Initiative Program (LIP) in 1990 to provide technical assistance to communities that are working with developers to produce affordable housing without state and federal subsidy programs. It was created to promote greater coordination and cooperation between developers and municipalities under the state's Chapter 40B comprehensive permit law in communities with less than 10% of its housing stock reserved for low- and moderate-income households (incomes at or below 80% of area median income).

construction has been underway with two of the four phases built including twelve affordable units.

- ***Fisherville Terrace***  
This project includes 72 housing units, combining single-family homes and townhouses, and is located off of Main Street in South Grafton. The project includes 18 affordable units. The developer obtained a comprehensive permit and construction will be underway by the spring of 2012.
- ***Peters Estates***  
The Planning Board approved the Peters Estates subdivision in 2006 that included an affordable duplex in a ten-lot subdivision. Both affordable units are occupied.
- ***DDD Irrevocable Trust/Dendee Acres***  
This project involves eight (8) new homes off of Main Street and Elmwood Street. The development will include two (2) affordable units to be processed through the state's Local Initiative Program (LIP). A Special Permit for the development was granted by the Planning Board in 2005. The project is under construction, and the lottery for the affordable units has been conducted.
- ***Fisherville Mill Redevelopment/ 40R District***  
The May 2007 Town Meeting approved the Fisherville Smart Growth Overlay District, which was subsequently approved by the Attorney General in August 2007. This District was created as part of a Chapter 40R (see Appendix 3 for details) program in an effort to revitalize the older Fisherville Mill site. The development will include a range of housing opportunities, rental and ownership, along with a mixed-use development component, promoting compact design, preservation of open space and a variety of transportation options. Presently the site is in the final stages of environmental cleanup, expected to be completed in 2012. The property owner is currently marketing the site to potential developers with the estimated potential of 240 housing units of which at least 20% or 48 must be affordable.
- ***Suzanne Terrace***  
The Town, through the Grafton Affordable Housing Trust, worked with the Planning Board and Board of Selectmen to have this municipally owned property declared surplus and transferred to the Housing Trust at the August 13, 2012 Planning Board meeting. The Housing Trust will prepare a Request for Proposals to select a developer to build two (2) single-family homes on the parcels.
- ***Hennessey II***  
The Town purchased land to preserve open space and bid out the frontage lots to help pay for the transaction, planning that at least one of the units be set-aside as affordable.
- ***Webber Property/East Street***  
As with Hennessey project, the Town purchased land to preserve open space and bid out the frontage lots to help pay for the transaction, planning that one of the nine lots be set-aside as affordable.

These projects include 59 affordable units that should already be eligible for inclusion in the SHI, bringing the total number of affordable units to 372 or 5.2% of the year round housing stock. Because these units have already received their required permits, they are not eligible for inclusion in the

annual housing production goals. However, approximately another fifty units might be added to the SHI and part of housing production goals if all of the above projects obtain the necessary permitting and reach completion.

## **E. Priority Housing Needs**

Based on this Housing Needs Assessment, there are a number of key indicators that suggest there are significant local needs for affordable housing that go beyond what is required to meet the 10% state goal including:

### **1. *Households with Limited Incomes – Need Subsidized Rental Opportunities*** ***Indicators of Need***

- Despite increasing wealth, *there still remains a significant population living in Grafton with very limited means.* Of the total households counted in 2010, 578 or 9.3% had incomes of less than \$25,000, representing extremely low-income levels, most of whom have incomes at or below 30% of area median income as defined by HUD. An additional 385 households had incomes within what public agencies would define as very low-income levels or between 30% and 50% of area median income. These numbers are *considerably greater than the town's current supply of state-defined affordable housing of 313 units.*
- The *absolute numbers of those with incomes below the poverty level<sup>19</sup> increased* from 602 in 1979 to 1,156 by 2010, increasing from 4% to 6.5% of Grafton residents. The numbers and percentages of families and seniors in poverty decreased over the past several decades however, while those of children have climbed.
- There were *555 households earning within 80% MFI who were spending 50% or more of their income on housing*, including 215 renters.
- Of the 370 households earning at or below 30% MFI, 285 or more than three-quarters were spending too much for housing, 62% spending more than half of their income on housing costs. Of the 145 owners in this income range, 135 had cost burdens with 100 spending more than half of their earnings on the expense of housing.
- More than two-thirds of the renters earning between 30% and 50% MFI experienced cost burdens, more than one-third spending at least half of their income on housing.
- About 21% of elderly renters were paying too much for their housing.
- All of the small families earning within 30% MFI were paying more than half of their income on housing.
- More than two-thirds of small families earning between 30% and 50% MFI who were renters had cost burdens, 44% with severe cost burdens (spending more than half on housing).
- The 2010 census indicated that the median gross rental was \$882, up 41% from the 2000 median of \$625, and requiring an income of more than \$40,000, including some utility costs, and not affordable to more than 2,000 households.<sup>20</sup> This rent level is beyond the means of someone earning at or below 50% of area median income much less someone earning the minimum wage or about \$16,640 a year.
- Like housing values for homeownership units, rental values tend to be underestimated in the census data and actual market rents are typically higher. Craigslist, a popular posting for apartments, listed only three (3) available rental units in Grafton in February 2012, \$1,250 for

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<sup>19</sup> The 2011 poverty levels included \$10,890 for an individual and \$18,530 for a family of three in 2011.

<sup>20</sup> This is premised on households spending no more than 30% of their income on housing costs.

a two-bedroom in North Grafton, \$1,475 for a two-bedroom townhouse, and \$1,430 for a three-bedroom townhouse.

- Apartments also require significant amounts of up-front cash, including first and last month's rent and a security deposit, which have a significant impact on affordability, particularly for relatively low wage earners.
- Waits for subsidized rentals at Grafton Housing Authority developments are about a year for local seniors while family rentals rarely turn over.

**2. *Those with Disabilities and Special Needs – Need Supportive Services and Handicapped Accessibility***  
***Indicators of Need***

- There were a significant number of residents who have special needs and were disabled including 197 or 6.3% of the school-age population, 1,397 or 15.7% of those 21 to 64 (about 380 of whom could not be employed), and 618 or 38.2% of those 65 years or older.
- The population of residents age 55 and over increased by 1,654 residents between 1980 and 2010 or by 69.4%, more than the 58.1% total population growth.
- The population of more frail elderly of 75 or more almost doubled between 1980 and 2010, from 444 to 860 residents.
- About 21% of elderly renters and more than half of elderly owners were paying too much for their housing.
- There are only seven (7) handicapped accessible units in Grafton Housing Authority's developments, only 4% of all 170 units.

**3. *Gaps in Affordability and Access to Affordable Housing – Need First-time Homeownership Opportunities and Other Support for Existing Owners***  
***Indicators of Need***

- *There were 1,879 households or 27.3% of all Grafton households living in housing that was by common definition beyond their means and unaffordable.*
- *Half of all those earning at or below 80% MFI were spending too much for housing, including one-quarter who were spending more than half of their income on housing.*
- *Housing prices in Grafton were high in comparison to Worcester County with a median single-family house value of \$337,000 as of the end of 2012 in comparison to \$199,000 for the County based on updated Banker & Tradesman data from The Warren Group. This price is up from \$309,000 a year before.*
- *To afford the median house price of \$337,000, a household would have to earn approximately \$84,600 if they were able to access 95% financing. Based on 80% financing with a 20% down payment, a lower income of about \$71,000 would be required, but the upfront costs would be considerable.*
- *Assessor's data shows that Grafton had 4,218 single-family properties with only 332 such units valued below \$200,000, most also likely needing home repairs.*
- *The median condo sales price was \$220,000 by the end of 2012, requiring an income of approximately \$64,500 with 5% down and \$55,700 with the 20% down payment.*
- *There were 1,242 condominiums counted in Assessor's records, or about 17% of all housing units. Not surprisingly, the condos were valued more affordably on a whole than the single-*

family homes with 35 units assessed below \$100,000 and almost half (47.5%) or 589 units assessed between \$100,000 and \$200,000.

- There were 707 single-family homes and 456 condos that were affordable to those earning at or below 80% of the area median income (AMI), most that were likely to need some property improvements. However, the ability to obtain financing, including issues related to credit history and large cash requirements, can provide substantial barriers to accessing housing.
- The *affordability gap* for those earning at 80% of area median income is approximately \$87,000 for single-family homes, the difference between the median priced single-family home (\$337,000) and what a three-person household earning at this income level can afford (\$250,000) based on 80% financing. The gap is about \$119,000 in the case of 95% financing.
- The affordability gap for condos for households earning at 80% of median income is \$40,000 based on 95% financing.
- *The upfront costs of the down payment and closing costs add considerably to the affordability gap.*<sup>21</sup>
- There is no starter housing being built in Grafton without subsidies.
- The proportional decline of those young adults entering the job ranks and beginning their families is likely tied to the relative scarcity of starter housing.
- Those with fixed incomes encounter increasing difficulties in affording housing given rising taxes, insurance and utility bills.
- Information on the *level of foreclosures* indicates that from March 1, 2011 through March 1, 2012, there were 17 foreclosure petitions filed and foreclosure auctions held on another 25 properties.<sup>22</sup> From the beginning of March 2012 through the end of March 2013, there were 40 foreclosure petitions filed and ten (10) actual auctions, demonstrating increasing foreclosure activity in Grafton.<sup>23</sup>

#### **4. *Housing Preservation – Need Home Improvement Resources Indicators of Need***

- More than 40% of Grafton's housing stock, 3,088 units, was built prior to 1970, and 1,413 units or almost 20% of the housing stock was built prior to World War II, which is well below the state average of 35.5% and the county figure of 39%. These older units are likely to have traces of lead-based paint, posing safety hazards to children as well as problems concerning aging system and structural conditions.
- Parts of Grafton rely on septic systems and it is likely that some of these systems are failing.
- With an increasing population of older adults, there will be an increased need for home modifications for those with disabilities.

There is therefore a sizable population of those who have very special needs or earn relatively low incomes and thus have significantly reduced capacity to secure and retain decent, safe and affordable

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<sup>21</sup> Figures based on 95% financing, interest of 4.5%, 30-year term, annual property tax rate of \$15.55 per thousand, insurance costs of \$1.25 per \$1,000 of combined valuation of dwelling value (value x 0.5), personal property (\$100,000 fixed), and personal liability (\$100,000 fixed), and private mortgage insurance estimated at 0.3125 percent of loan amount, monthly condo fees of \$250, and rents for two-family homes of \$900. Also, the figures are premised on the purchaser spending no more than 30% of their income on housing.

<sup>22</sup> The Warren Group, *Banker & Tradesman*, March 2, 2012.

<sup>23</sup> The Warren Group, *Banker & Tradesman*, April 17, 2013.

housing in Grafton – certainly the numbers of those in need is far greater than the existing affordable housing stock and well beyond what the current market is delivering. A broader range of housing options is required to meet these varied needs.

As Table III-18 indicates, approximately 78% of Grafton’s SHI units include rentals and special needs housing. However, more recent residential developments have involved homeownership, primarily through the comprehensive permit process. Based on the above listed indicators of need and past and current affordable housing development patterns, this Housing Needs Assessment recommends that housing production goals incorporate about an even split between rental and ownership units. Given annual housing production goals of 36 units per year, the following housing goals by priority need are proposed:

**Table III-22**  
**Summary of Housing Production Goals Based on Priority Needs**

<b>Type of Units</b>	<b>Target Populations</b>	<b>Annual Goals</b>	<b>5-Year Goals</b>
Rental Housing	Seniors, Individuals & Disabled (20%)	4	20
	Families (80%)	14	70
	<b><i>Subtotal</i></b>	<b><i>18</i></b>	<b><i>90</i></b>
New Homeownership      First-time	Families	18	90
<b><i>Total</i></b>		<b><i>36</i></b>	<b><i>180</i></b>



## Section IV

### OBSTACLES TO DEVELOPMENT AND MITIGATION MEASURES

It will be a great challenge for the town of Grafton to create enough affordable housing units to meet the state's 10% affordable housing standard, production goals and local needs, particularly in light of current constraints to new development including the following:

#### A. Zoning

##### 1. *Challenges*

As is the case in most American communities, a zoning by-law or ordinance is enacted to control the use of land including the patterns of housing development. Like most localities in the Commonwealth, Grafton's Zoning By-law largely embraces large-lot zoning of one to two acres that maintains low housing densities and severely constrains the construction of affordable housing. However, Grafton's provisions do offer some amount of flexibility as to requirements for residential development including:

- One-half acre zoning, 20,000 square feet minimum lot size, is allowed in Medium Density Residential Districts, which are located along the Route 122 – Providence Road corridor, the Fisherville area of South Grafton, and in a number of areas of North Grafton.
- Multi-family development (a multi-family property is described as a residence containing three or more units) is allowed by Special Permit in Multi-family Residential Districts and must be connected to public water and sewer systems. These Districts are for the most part located along Route 122, Providence Road. The by-law requires a minimum lot size of 5,500 sq. ft. per unit, that parking be screened from streets, that at least 25% of the lot area be unoccupied open space, and 1,000 sq. ft. of common open space per unit, among other criteria.
- Major Residential Development Standards are allowed under Special Permit in all residential districts for Flexible Development "in which the single-family dwelling units are clustered together into one or more groups on the lot and the clusters are separated from each other and adjacent properties by permanently protected open space."<sup>24</sup> This provision also offers density bonuses if a proposed development "through the quality of its site selection, programming, and design displays a conscious effort to comply with the purposes of Flexible Development."<sup>25</sup> These density levels include increases over the number of dwelling units that would be allowed on the property based on current subdivision requirements of: "(a) 15% of the total permitted under that section if the proposed development complies with at least six of the Design Guidelines specified in Section 5.3.13; (b) 20% of the total permitted under that section if the proposed development complies with at least nine of the Design Guidelines; and (c) 25% if the proposed development complies with all of the Design Guidelines."<sup>26</sup> The Design Guidelines include a provision for affordable housing where at least 10% of the units are created as affordable based on the definition in M.G.L. Chapter 40B.
- Accessory apartments (described as a separate housekeeping unit, complete with its own sleeping, cooking, and sanitary facilities, that is substantially contained within the structure of a

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<sup>24</sup> Grafton Zoning By-law, Section 5.3.1.

<sup>25</sup> Grafton Zoning By-law, Section 5.3.5.2.

<sup>26</sup> Grafton Zoning By-law, Section 5.3.5.2.

single-family dwelling, but functions as a separate unit) are allowed in all residential districts under Special Permit.<sup>27</sup>

- The Fisherville Smart Growth Overlay District was approved by the May 2007 Town Meeting and subsequently approved by the Attorney General in August 2007. This District was created as part of a Chapter 40R (see Appendix 3 for details) program to revitalize the older Fisherville Mill site. The development will include a range of housing opportunities, rental and ownership, a mixed-use development component, promotion of compact design, preservation of open space and a variety of transportation options. Presently the site is in the final stages of environmental cleanup, which is expected to be completed in 2012. The developer is currently in the early stages of marketing the project to developers.

## **2. *Mitigation Measures***

This Housing Plan includes a number of strategies that are directed to reforming local zoning regulations, making them “friendlier” to the production of affordable housing and smart growth development. These include adopting inclusionary zoning, promoting affordable accessory apartments, allowing affordable housing on noncomplying lots, considering changes to the flexible zoning provisions to better encourage affordable housing, promoting mixed-use development as well as transit-oriented development, and (see Section VI.A and B for details on these measures).

### **B. School Enrollment**

#### **1. *Challenges***

Build-out projections indicate that the school-age population should increase by another 2,309 children, however there are no reliable projections as to when buildout is likely to occur. This added population would likely place a significant burden on a school system that is already experiencing overcrowded conditions. According to US census figures, the school-age population of those between five and 17 years increased between 1980 and 2000 by 340 students, from 2,410 to 2,750, following a decline to 2,239 students in 1990. The 2010 census counted 3,501 such students, an increase of 751 school-age students since 2000. Grafton’s School Department enrollment figures indicate that the number of students increased from 2,229 during the 2000-2001 school year to 2,905 by 2011-2012, representing an increase of 30.3%. This is considerably higher than the overall population growth rate of 19.3% during the same period.

#### **2. *Mitigation Measures***

While there was considerable school overcrowding in the past, the Town voted to build a new high school in May 2010, which was recently completed. This major development project in combination with some redistribution of students among various schools, has resolved the problem.

### **C. Transportation**

#### **1. *Challenges***

Despite improved access to public transportation through the new commuter rail station, traffic in Grafton is becoming more congested and is projected to increase given continued development. “To accommodate new development, the Central Massachusetts Regional Planning Commission (CMRPC)

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<sup>27</sup> Grafton Zoning By-law, Section 2.1 Uses and Structures and Section 3.2.3.1 Use Regulation Schedule.

anticipates that in Grafton at buildout there will be ninety-eight miles of newly created streets, of which 88.6 will be residential. With the addition of an average of a fifty-foot right of way, this means that 536 acres (88% of a square mile) will be consumed by these streets.

## **2. *Mitigation Measures***

In view of present traffic and projected increase, it is essential that the Town evaluates and selects appropriate measures to relieve the impact of growth on traffic yet still grow incrementally,”<sup>28</sup> a formidable challenge. The Town will continue to study opportunities for easing traffic congestion, and pay particular attention to the projected traffic implications of any new development, working with the developer to resolve problems. Roadway maintenance and long-range planning have continued to be on the forefront of discussions in Board of Selectmen meetings. New housing development has slowed down, but Town Meeting has accepted a number of roadway and other infrastructure improvements in existing subdivisions during the last few years that have improved the Department of Public Work’s capacity to provide basic services such as plowing, sweeping, and catch basin clean-up.

One of the strategies included in this Housing Plan is to explore mixed-use and transit-oriented development that have the potential for reducing the reliance on the automobile (see Section VI.A. and B. for details).

## **D. Environmental Concerns**

### **1. *Challenges***

Grafton is the home of regionally significant natural resources such as the Quinsigamond and Blackstone Rivers, West River, Assabet River, Lake Ripple, Silver Lake, Miscoe Brook, Axtell and the Big Bummet Brook stream corridor, and Fisherville Mill and Pond. In 1986 the Blackstone River Valley was identified as the birthplace of the Industrial Revolution in America and was named a National Heritage Corridor based on its unique opportunities for recreation and cultural enrichment. Most residents are aware of the town’s natural treasures and are rightly concerned about conserving them. Additionally, there are considerable areas in town that do not have access to water and sewer services and are therefore reliant on wells and septic systems, providing greater challenges to development. While regulations to protect the environment (e.g., wetlands, aquifers, septic systems) are important and essential, they present challenges to development by reducing the amount of buildable land and increasing the time and costs of developing new housing.

### **2. *Mitigation Measures***

Fundamental to this Housing Plan are the housing goals that provide a framework for producing affordable housing in Grafton. One of the housing goals is to limit residential development to those projects that are sensitive to the environment and Town infrastructure and another is to encourage housing development patterns that preserve open space and natural features. Housing strategies are largely oriented to actions that will promote smart growth such as adaptive reuse, affordable accessory apartments, conversion of existing housing, development of scattered sites in existing neighborhoods, and mixed-use or transit-oriented development (see Section VI.C. for details on these strategies). Moreover, Grafton has an active Conservation Commission to protect environmentally sensitive areas. The impacts of any new development must be identified as to how they affect the environment and what actions might be required to mitigate problems.

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<sup>28</sup> Thomas Planning Services and Akira Yamashita Associates, Grafton Comprehensive Plan, 2001.

## **E. Availability of Subsidy Funds**

### **1. *Challenges***

Financial resources to subsidize affordable housing preservation and production as well as rental assistance have suffered budget cuts over the years making funding more limited and extremely competitive. Communities are finding it increasingly difficult to secure necessary funding and must be creative in determining how to finance projects and tenacious in securing these resources.

### **2. *Mitigation Measures***

Grafton approved the Community Preservation Act in May of 2002, and the Board of Selectmen formally appointed its Community Preservation Committee in January 2003. The Town also established an Affordable Housing Trust Fund to further capture and manage funding in support of affordable housing. This Housing Plan provides guidance on the use of CPA and Housing Trust Funds for affordable housing initiatives that will enable the Town to support the production of new affordable units. The Town will, nonetheless, need further support from state and federal resources to bolster its affordable housing agenda, leveraging its local funding to the greatest extent possible.

## **F. Community Perceptions**

### **1. *Challenges***

In most communities, residents are concerned about impacts that new development has on local services and quality of life. They may also have negative impressions of affordable housing and question whether there is a real need for such housing. Therefore, local opposition to new affordable developments is more the norm than the exception. On the other hand, given still high real estate prices, more people are recognizing that the new kindergarten teacher, their grown children, or the elderly neighbor may not be able to afford to live or remain in the community.

### **2. *Mitigation Measures***

This Housing Plan documents a range of pressing housing needs through the Housing Needs Assessment. Ongoing community outreach and education will be necessary to better acquaint the community with housing needs and garner local support and ultimately approvals for new housing initiatives.

## **Section V**

### **HOUSING PRODUCTION GOALS**

The Massachusetts Department of Housing and Community Development (DHCD) is administering the Housing Production Program in accordance with regulations that enable cities and towns to prepare and adopt an affordable housing plan that demonstrates production of an increase of .50% over one year, or 1.0% over two-years, of its year-round housing stock eligible for inclusion in the Subsidized Housing Inventory.<sup>29</sup> Grafton will have to produce approximately 36 affordable units annually to meet these production goals. If DHCD certifies that the locality has complied with its annual production goals, the Town may, through its Zoning Board of Appeals, deny comprehensive permit applications without opportunity for appeal by developers.

Using the strategies described in Section VI, the Town of Grafton has developed a Housing Production Program to chart affordable housing production activity over the next five (5) years. The projected goals are best guesses at this time, and there is likely to be a great deal of fluidity in these estimates from year to year. The goals are based largely on the following criteria:

- To the greatest extent possible to promote greater public benefits, at least fifty percent (50%) of the units that are developed on Town-owned parcels should be affordable to households earning at or below 80% of area median income, depending on project feasibility. The rental projects will also target households earning at or below 60% of area median income and lower depending upon subsidy program requirements.
- Projections are based on no fewer than four (4) units per acre. However, given specific site conditions and financial feasibility it may be appropriate to decrease or increase density as long as projects are in compliance with state Title V and wetlands regulations.
- Because housing strategies include some development on privately owned parcels, production will involve projects sponsored by private developers through the standard regulatory process or the “friendly” comprehensive permit process. The Town will continue to work with these private developers to fine-tune proposals to maximize their responsiveness to community interests and to increase affordability when feasible.
- The projections involve a mix of rental and ownership opportunities. The Town will work with private developers to promote a diversity of housing types directed to different populations with housing needs including families, seniors and other individuals with special needs to offer a wider range of housing options for residents.

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<sup>29</sup> Massachusetts General Law Chapter 40B, 760 CMR 31.07 (1)(i).

**Table V-1  
Grafton Housing Production Program\***

<b>Strategies by Year</b>	<b>Affordable Units &lt; 80% AMI</b>	<b>Ineligible for SHI</b>	<b>Total # Units</b>
<b>Year 1 – 2013</b>			
Scattered site development and Town-owned property/Suzanne Terrace (ownership)	2	0	2
Conversion of existing housing to long-term affordability (ownership)	2	0	2
Accessory apartments (rental)	0	4	4
Emergency assistance (ownership)	0	5	5
<i>Subtotal</i>	4	9	13
<b>Year 2 – 2014</b>			
“Friendly 40B” development (ownership)	18	0	72
Scattered site development and Town-owned property/ Hennessey II (ownership)	1	0	1
Scattered site development and Town-owned property/Webber–East Street (ownership)	1	0	1
Conversion of existing housing to long-term affordability (ownership)	2	0	2
Group home (special needs rental)	8	0	8
Accessory apartments (rental)	0	4	4
Emergency assistance (ownership)	0	5	5
<i>Subtotal</i>	30	9	93
<b>Year 3 – 2015</b>			
“Friendly 40B” development (rental)**	20	0	20
Affordable housing on nonconforming Lots (ownership)	2	0	4
Village mixed-use development (rental)	10	0	40
Inclusionary zoning (ownership)	6	0	60
Conversion of existing housing to long-term affordability (ownership)	2	0	2
Accessory apartments (rental)	0	4	4
Emergency assistance (ownership)	0	5	5
<i>Subtotal</i>	40	9	135
<b>Year 4 – 2016</b>			
Fisherville Mill 40R (mix of ownership and rental)	48	10	240
Accessory apartments (rental)	0	4	4
Emergency assistance (ownership)	0	5	5
<i>Subtotal</i>	48	19	249
<b>Year 5 – 2017</b>			
<b>Covered under Year 4</b>			
Accessory apartments (rental)	0	4	4
Emergency assistance (ownership)	0	5	5
Village mixed-use development (rental)	10	0	40
Flexible development (ownership)	10	0	40
<i>Subtotal</i>	20	9	89
<b>Total</b>	<b>142</b>	<b>55</b>	<b>330</b>

\* Final determination of the use of existing Town-owned parcels for new affordable housing is subject to a more thorough feasibility analysis of site conditions and Town Meeting approval. If any of the preliminarily identified existing Town-owned properties are finally determined infeasible or do not obtain approval from Town Meeting, it is anticipated that the projected numbers of affordable units would be met through the acquisition of privately owned properties, private development or other Town-owned property.

\*\* All units count in SHI for Chapter 40B rental projects.

## Section VI

### HOUSING STRATEGIES

The Town of Grafton has made significant progress in building its capacity to promote affordable housing since it developed its first Affordable Housing Plan in 2006, implementing key strategies that were included in that Plan including the following:

- *Establishment of the Grafton Affordable Housing Trust* in 2007, which replaced the Affordable Housing Committee that was responsible for the 2006 Affordable Housing Plan. The Trust subsequently developed Housing Trust procedures through a Declaration of Trust.
- *Capitalization of the Trust Fund* of approximately \$313,000 as of April 2012. This funding has come principally from the Town's Community Preservation Committee (CPC), which automatically has transferred 10% of its annual funding to the Housing Trust. The CPC also welcomes individual proposals for special housing initiatives through its standard application process.
- *The designation of the Assistant Planner as the key point person* for supporting the efforts of the Affordable Housing Trust and their oversight of Housing Plan preparation and implementation.
- *Community outreach efforts* to showcase affordable housing including a new brochure, annual housing workshops, and special community forums for new initiatives in particular (40R district, new mixed-use village zoning, proposed projects, etc.). The Town is also working to enhance its website, planning an email subscription system to disseminate important information to the public. Interested parties can sign-up to receive email updates regarding particular activities such as Housing Trust events, announcements, and upcoming lotteries for affordable units.
- *Preparation of a Local Initiative Program (LIP) Procedures Manual* that detailed the respective roles and responsibilities of the Housing Trust, Planning Department and other local leaders for insuring that all state requirements are being met to create and retain affordable units, including those related to project marketing and lotteries.
- *Development of an affordable housing database* that provides information on all units included in the SHI, including detailed information on use restrictions to better monitor of affordable units.
- *Creation of the Fisherville Smart Growth Overlay District (FSGOD)* as part of a Chapter 40R program to revitalize the older Fisherville Mill site. The Overlay District has been approved by Town Meeting and the state. Development will include a range of housing opportunities, rental and ownership, along with a mixed-use development component, will promote compact design, the preservation of open space and a variety of transportation options.
- *Work with local developers to encourage the production of new housing units* including support for projects using the flexible zoning provision or comprehensive permits such as Dendee Acres, Peters Estates, Fisherville Terrace, 123 Ferry Street, etc.
- *Increased coordination of municipal staff* through regular meetings among various offices to improve communication and cooperation on key Town programs, policies and projects, including those related to affordable housing.

- *Purchase of 30 Tulip Circle* by the GAHT to protect the affordability of this affordable unit had been foreclosed.
- *Designation of a Town-owned parcel at Suzanne Terrace for affordable housing* that will be conveyed by the GAHT to a qualified developer following the issuance of a Request for Proposals (RFP).

The Town remains committed to a continued pursuit of these important outreach and development strategies and will build on this progress through the actions described in Section VI.A through D below. The strategies also reflect state requirements that ask communities to address all of the following major *categories of strategies* to the greatest extent applicable:<sup>30</sup>

*Identification of zoning districts or geographic areas in which the municipality proposes to modify current regulations for the purposes of creating affordable housing developments to meet its housing production goal;*

- Explore mixed-use and transit-oriented development (strategy VI.B.4)

*Identification of specific sties for which the municipality will encourage the filing of comprehensive permit projects;*

- Make suitable public land available for affordable housing (strategy VI.B.1)
- Promote mixed-use and transit-oriented development (strategy VI.B.4)

*Characteristics of proposed residential or mixed-use developments that would be preferred by the municipality;*

- Promote mixed-use and transit-oriented development (strategy VI.B.4)
- Amend flexible zoning by-law to encourage affordable housing (strategy VI.A.4)
- Amend accessory apartment by-law (strategy VI.A.1)
- Adopt inclusionary zoning (strategy VI.A.5)
- Partner with private developers on “friendly” 40B projects (strategy VI.B.3)
- Allow affordable housing on nonconforming lots (strategy VI.A.3)
- Support small, scattered site private development (strategy VI.B.2)

*Municipally owned parcels for which the municipality commits to issue requests for proposals to develop affordable housing.*

- Make Town-owned land available for affordable housing (strategy V.B.1)

*Participation in regional collaborations addressing housing development*

- Help qualifying existing residents access housing assistance through regional entities

It should be noted that a major goal of this Plan is not only to strive to meet the state’s 10% goal under Chapter 40B, but to also to serve local needs. Consequently, there are instances where housing initiatives might be promoted to meet these needs that will not necessarily result in the inclusion of units in the Subsidized Housing Inventory (examples include the promotion of accessory apartments or providing assistance for emergency repairs).

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<sup>30</sup> Massachusetts General Law Chapter 40B, 760 CMR 56.03.4.



Within the context of these compliance issues, local needs, existing resources, affordability requirements and the goals listed in Section II.C of this Plan, the following housing strategies are proposed. ***It is important to note that these strategies are presented as a package for the Town to consider, prioritize, and process, each through the appropriate regulatory channels.***

The strategies are grouped according to the type of action proposed – Planning and Regulatory Reform, Housing Development, Housing Preservation, and Direct Assistance – and prioritized. Year 1 and 2 actions are those that will begin within the next two years, most of which will involve some immediate actions. Those strategies included in the Year 3 to 5 category will involve focused attention after the next couple of years, working towards implementation after Year 2 but before Year 5. A summary of these housing strategies is included as Table I-1 and descriptions are offered in Sections VI.A through D below.

#### **A. Implement Planning and Regulatory Reforms**

Housing production is contingent not only on actual development projects but also on the planning and regulatory tools that enable localities to make well informed decisions to *strategically guide* housing creation. To most effectively and efficiently execute the strategies included in this Plan and meet production goals, greater flexibility will be needed in the Town's Zoning By-law, and new tools will be required to capture more affordable units.

The Zoning By-law includes a minimum lot requirement of at least an acre as well as frontage, setback and other requirements that may not be conducive to affordable housing and create the likely need for regulatory relief for any residential development that includes affordable units, most likely through the “friendly” comprehensive permit process that overrides local zoning, overlay districts or other special zoning provisions. Additionally, the Zoning By-law incorporates a number of provisions that while intended to encourage affordable housing, have not provided sufficient incentives to realize actual new affordable units and should be revisited and revised as necessary.

The Town of Grafton should consider the following planning and zoning-related strategies to promote the creation of additional affordable units. These actions can be considered as tools that the town will have available to promote new housing opportunities, each applied to particular circumstances and providing a powerful group of resources when available in combination.

##### **1. *Amend Accessory Apartment By-law***

*Current Status:* The current Zoning By-law allows accessory apartments through a special permit. Since 1998, 34 accessory apartments have been permitted in compliance with the By-law in Grafton, however it is generally recognized that there are unpermitted accessory apartments in town as well.

Accessory units are helpful in meeting a number of public policy objectives as they:

- Enable homeowners to capture additional income, which is particularly important for elderly homeowners or single parents where such income may be critical to remaining in their homes. Also, some young families or moderate-income households might be able to afford homeownership if they could count on income from an accessory apartment.
- Provide appropriately sized units for growing numbers of smaller households.
- Offer inexpensive ways of increasing the rental housing stock at lower cost than new construction and without loss of open space, without significant impact on the surrounding

neighborhood, and without additional Town services such as streets or utilities. There are, however, issues regarding the adequacy of the existing septic system when a new bedroom is added.

- Provide companionship, security and services for the homeowner, from shoveling the sidewalk for an elderly owner to babysitting for a single parent.
- Offer good opportunities for keeping extended families in closer contact.
- Generate tax revenue in a locality because accessory units add value to existing homes.

Next Steps: In order to promote new accessory units the Town should consider amending its Zoning By-law as follows:

- Allow accessory units as-of-right based on specified conditions of the by-law;
- Extend use to detached structures or separate additions;
- Extend availability to investor-owned properties; and
- Consider amnesty provisions for existing but illegal units.

There are many variations of accessory apartment by-laws that have been adopted in other communities. The Grafton Planning Board can explore other by-laws and work on an amendment that will best meet the needs of the community and promote affordability. For example, the Town of Wellfleet has an accessory apartment program that insures that units are affordable and occupied by qualifying tenants without requiring deed restrictions or lottery lists for occupants. Consequently, while the units cannot be included in the SHI they are regulated to insure affordability.

Timetable: Years 1 to 2

Resources Required: Time of the Planning Board to prepare the zoning amendment and coordinate the necessary approvals with the support of the Planning Department.

## **2. Review Existing Local Initiative Program (LIP) Policy**

Current Status: The Town of Grafton's Affordable Housing Committee, now disbanded and replaced by the Affordable Housing Trust, developed a Local Initiative Program (LIP) Policy to encourage the production of permanently affordable housing for local residents in 2007. The LIP Policy established standards and procedures for the Committee to review and act upon LIP applications, in fact to guide "friendly" Chapter 40B developments and provide a helpful tool for promoting greater cooperation with private for profit and non-profit developers on affordable housing production. The LIP Policy is intended to achieve the following benefits:

- Compliance with the standards and guidelines will insure that affordable housing proposals are treated fairly and objectively and will minimize the time needed to reach consensus.
- Advances the implementation of this Housing Plan, which relies on private development to support production goals.
- Provides a tool for the Town to work with developers to modify proposals to lessen negative impacts on surrounding neighborhoods.
- Helps resolve issues of density and site design before submission of formal applications in order to facilitate approval of LIP proposals by other municipal boards and departments.

This Housing Plan incorporates production goals that identify development opportunities leading to the production of at least .50% of the year-round housing stock per year of at least 36 units, an ambitious goal that will require the Town to work cooperatively with developers to boost the level of affordable housing. To this end the Housing Trust, working cooperatively with the Planning Board and Zoning Board of Appeal, should consider revising its LIP Policy to better support the development of new units and provide adequate guidance on what projects will be acceptable to the community and less likely to cause prolonged and often litigious battles. This Policy should help both non-profit and for profit housing developers better plan for residential development that will be in line with what the community seeks in affordable housing related to scale, siting, density, levels of affordability, location, design, etc. Through such guidelines the developer “wins” because there is greater predictability in what the Town is willing to approve, and the Town “wins” because it gets new affordable units that meet locally established development criteria that help it meet local needs and production goals.

*Next Steps:* The Affordable Housing Trust, in coordination with the Planning Board and Zoning Board of Appeal, should review the current LIP Policy, make appropriate revisions, and then share them with the Board of Selectmen, Conservation Commission, Board of Health, and other interested boards and committees for their review and comment. The LIP Policy can then be finalized and made public.

*Timeframe:* Years 1 to 2

*Resources Required:* The donated time of local officials and various Town boards and committees and the Grafton Planning Department.

### **3. Allow Affordable Development on Noncomplying Lots**

*Current Status:* There are parcels of vacant land that at this time cannot be developed because they do not meet the precise dimensional requirements of the Zoning By-law such as minimum lot size as well as front, rear and side yard requirements. It is likely that many of these parcels could in fact be suitably developed as housing. Smaller lots will encourage the construction of smaller homes under appropriate guidelines to provide some housing options that are not currently being created by the private market as starter housing or homes for empty nesters interested in reducing their living space and home maintenance.

*Next Steps:* The Grafton Affordable Housing Trust might explore what other communities are doing with respect to these undersized lots and work with the Planning Board to prepare a zoning amendment to enable these lots to be developed based on specific criteria. One potential model is to allow such lots to be developed by Special Permit or through a by-law similar to what is included in Dennis’ Affordable Housing By-law, one section that relates specifically to affordable lots.<sup>31</sup> The Dennis by-law allows the development of lots that do not meet minimum lot size requirements and are not protected as nonconforming lots by law because they are in common ownership with adjoining lots. These lots may be built on if they meet the other following requirements:

- Each lot contains at least 10,000 square feet of land area and satisfies other applicable Board of Health requirements but cannot be located within a Zone II Water Recharge Area.
- Each lot must have safe and adequate access to a public or private way.
- Each lot is similar in size and shape to lots immediately adjacent to and across the street from the lot to be separated.

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<sup>31</sup> Dennis Zoning By-law, Section 4.9.

- Cannot be developed into a structure of more than three-bedrooms with a minimum of 5,000 square feet of land area for each bedroom.
- The applicable setbacks will be determined by establishing an average setback based upon the principal structures on the lots immediately adjacent to and across the street from the lot be built upon as a separate lot.
- Where two lots are held in common ownership, one of the two must be deed restricted as affordable in perpetuity. Where more than two lots are held in common ownership, the second, third and fifty percent of the remaining lots to be built upon under the Special Permit must be deed restricted as permanently affordable (i.e., the fourth lot may be market rate, fifth affordable, sixth market rate, etc.).
- The by-law states that it will not prevent a lot owner from building a house and then transferring it to an income-eligible family member by gift or inheritance, provided that the restriction is recorded prior to the issuance of the building permit and that the lot owner or immediate family member has owned the lot as of October 18, 2005. It should be noted that state guidelines under the Local Initiative Program forbid the transfer of such property by ownership or rental to family members and still be included in the Subsidized Housing Inventory.

Timetable: Years 3 to 5

Resources Required: The Housing Trust, with staff support from the Planning Department, should coordinate this effort with the Planning Board and other appropriate local officials in determining the feasibility of implementing this strategy in Grafton, drafting the zoning amendment and coordinating the necessary approvals towards implementation.

Projected Number of Affordable Units Produced: 2 units

#### **4. Amend the Flexible Development By-law to Better Promote Affordable Housing**

Current Status: Major Residential Development Standards are allowed under Special Permit in all residential districts for Flexible Development “in which the single-family dwelling units are clustered together into one or more groups on the lot and the clusters are separated from each other and adjacent properties by permanently protected open space.”<sup>32</sup> This provision also offers density bonuses if a proposed development “through the quality of its site selection, programming and design, displays a conscious effort to comply with the purposes of Flexible Development.”<sup>33</sup> These density levels include increases over the number of dwelling units that would be allowed on the property based on current subdivision requirements of: “(a) 15% of the total permitted under that section if the proposed development complies with at least six of the Design Guidelines specified in Section 5.3.13; (b) 20% of the total permitted under that section if the proposed development complies with at least nine of the Design Guidelines; and (c) 25% if the proposed development complies with all of the Design Guidelines.”<sup>34</sup> The Design Guidelines include a provision for affordable housing when at least 10% of the units are created as affordable based on the definition in M.G.L. Chapter 40B, however, the by-law has not effectively produced such units and greater incentives should be offered to facilitate affordable housing development to help meet local needs and production goals.

<sup>32</sup> Grafton Zoning By-law, Section 5.3.1.

<sup>33</sup> Grafton Zoning By-law, Section 5.3.5.2.

<sup>34</sup> Grafton Zoning By-law, Section 5.3.5.2.

*Next Steps:* The Grafton Planning Board should explore what other communities are doing with respect to these more flexible zoning provisions and consider making changes that would provide greater incentives for producing affordable housing under this by-law such as greater density bonuses and the flexibility to build other housing types besides single-family homes. For example, a model by-law has been produced by the Metropolitan Area Planning Council, Massachusetts Audubon, and others in the Green Neighborhood Alliance, adopted by a number of Massachusetts's communities. The state's Smart Growth Toolkit under the Executive Office of Energy and Environmental Affairs also has a model available for review.

*Timetable:* Years 3 to 5

*Resources Required:* The Housing Trust, with staff time from the Planning Department, should coordinate this effort with the Planning Board and other appropriate local officials in determining how best to revise the zoning by-law and coordinate the necessary approvals.

*Projected Number of Affordable Units Produced:* 10 units

## **6. Adopt Inclusionary Zoning**

*Current Status:* Inclusionary zoning is not currently included in Grafton's Zoning By-law, but it has been proposed in the past and rejected by Town Meeting. Some claim that the proposed by-law had not been adequately presented to local leaders or community residents at the time and did not offer any density bonuses as appropriate incentives for its use.

The inclusionary zoning mechanism has been adopted by more than one-third of the communities in the state to insure that any new development project over a certain size includes a set-aside in numbers of affordable units or funding to support the creation of affordable housing. This by-law applies to development that meets local zoning requirements, but many communities have wisely determined it appropriate to incorporate density bonuses in their by-laws. Many of the municipalities that have inclusionary zoning in place are reaping the rewards of these actions through the creation of actual affordable units or cash contributions to the locality for investment in affordable housing production. Most of the by-laws include mandated percentages of units that must be affordable, typically 10% to 15% and density bonuses. Many also provide developers with the option of providing cash in lieu of actual units and some also allow development of affordable units off-site.

*Next Steps:* The Town should consider making appropriate changes in the draft inclusionary by-law that was submitted in the past and resubmit a revised version for Town review and reconsideration. There are a variety of by-laws that have been adopted in localities throughout the state that vary considerably based on requirements, and the Grafton Planning Board, with support from the Housing Trust, should explore these models and prepare a zoning amendment that is best suited to the community. This amendment should be presented at a series of public meetings and then to Town Meeting for adoption.

*Timeframe:* Years 3 to 5

*Resources Required:* Time of the Planning Board to prepare the by-law and coordinate the necessary approvals with staff support from the Planning Department. The monitoring of projects to insure continued affordability based on use restrictions would be the responsibility of the project sponsor and coordinated by the proposed Housing Trust with staffing support by the Assistant Planner. All affordable units added through such a by-law would need to be registered with the state to be included

as part of the Town's Subsidized Housing Inventory, applied through the Local Initiative Program (LIP) administered by DHCD (see Appendix 3 for details on the Local Initiative Program, Local Action Units in particular).

*Projected Number of Affordable Units Produced:* 6 units

## **B. Housing Development**

The affordable housing production strategies can be divided into three (3) general categories of development:

### **1. *Development of Public Property***

There are identified Town-owned parcels that might be developed to create new affordable housing including both ownership and rentals.

### **2. *Scattered-site Private Development***

This Plan also incorporates smaller-scale infill development of privately owned lots that will have relatively fewer impacts on any single neighborhood as affordable housing creation will be spread geographically throughout town. Additionally, the promotion of affordable accessory apartments (see strategy V.A.2) and the development of buildable but nonconforming lots (see strategy V.A.4) through an amended by-law would also result in new units without significant impacts to the built or natural environment.

### **3. *Larger-scale Private Development***

In order to meet production goals, it will be essential for Grafton to continue to work cooperatively with private developers, for profit and non-profit, in the creation of affordable housing. As indicated in strategy VI.A.3. above, the Town has already established a Local Initiative Program (LIP) Policy in an effort to provide guidance on what type of housing proposals are likely to be acceptable to the Town and have negotiated with developers towards insuring that new development will satisfy local needs and priorities. There are opportunities for Grafton to promote mixed-use development in its village centers and near the commuter rail station as well as to encourage adaptive reuse of underutilized nonresidential buildings into residential use. The use of the "friendly" 40B process is also a key component of the Town's housing production strategy.

The following strategies provide the basic components for the Town to meet its housing production goals:

### **1. *Make Town-Owned Land Available for Affordable Housing***

Current Status: The contribution or "bargain sale" of land owned by the Town but not essential for municipal purposes is a component of production goals and the Town, through a previous Town-owned Land Committee, has identified a list of potential Town-owned parcels that might potentially be developed as affordable, included in Table VI-1. Final determination of the use of these parcels for affordable housing is subject to a more thorough feasibility analysis of site conditions, the costs of which can be covered by CPA or Housing Trust Funds, and Town Meeting approval. The Town has already approved the conveyance of its property at 11-13 Suzanne Terrace for affordable housing at the August 13, 2012 Planning Board meeting.

In addition to currently owned Town parcels, the Town of Grafton may decide that it will acquire privately owned sites for the purposes of protecting open space and developing some amount of housing, including affordable housing, through clustering any development on a portion of the site in conformance with smart growth principles. Small, scattered sites owned by the Town can also be designated for affordable housing. Moreover, the Town might be able to acquire property through the tax foreclosure process and then obtain Town Meeting approval for conveyance to the Housing Trust.

Next Steps: The Housing Trust should conduct a preliminary feasibility analysis on existing Town-owned parcels, starting with those listed in Table VI-1, or on sites identified at a later time that might potentially include some amount of affordable housing. If this analysis indicates that housing might likely be accommodated on any particular parcel, the Trust should request approval from the Board of Selectmen and Town Meeting to convey them to the Housing Trust for affordable housing development.

Following the necessary approvals, the Housing Trust in coordination with the Town's Chief Procurement Officer, the Town Planner and potentially a housing consultant, should prepare a Request for Proposals (RFP) to solicit interest from developers based on the Town's specific project requirements and select a developer based also on identified criteria included in the RFP. It is likely that the projects will require densities or other regulatory relief beyond what is allowed under the existing Zoning By-law, and the designated developer may be able to obtain this relief through normal channels, if community support is assured, or use the "friendly" comprehensive permit process through DHCD's Local Initiative Program (LIP). Additionally, the Housing Trust will need to be an advocate for the project, helping the selected developer secure necessary financing and political support.

**Table VI-1  
Town-owned Properties with Potential for Affordable Housing Development**

	<b>Address</b>	<b>Assessor Map/Lot #</b>	<b>Total Parcel Acres/ Buildable Housing Acres*</b>	<b>Estimated # Housing Units/ Affordable Units**</b>	<b>Comments (Provided by the Town-owned Land Committee with some updated info from the Planning Dept.)</b>
1	13 Suzanne Terr.	37/26	20,648 sq. ft.	2/2	Combine 2 properties; approved at the August 13, 2012 Planning Board meeting.
	11 Suzanne Terr.	37/27	23,739 sq. ft.		
2	14 Sunset Lane	26/85	6,500 sq. ft.	1	Check deed for restriction
3	322 Providence Rd.	124/1	18,530 sq. ft.	2/1	
4	30 Waterville St.	19/96	39,700 sq. ft.	4/2	(Recheck with Town Counsel regarding possible restriction)
5	51 Upton St.	75/1A	40,645 sq. ft.	4/2	Current location of the Town DPW Barn; abutting parcel to the north also owned by the Town but very wet.
6	2 Windle Ave.	11/49	52,272 sq. ft.	6/3	
7	39 Snow Road	37/101	60,000 sq. ft.	6/3	(Possibly combine with old Snow Rd. R.O.W.)
8	22 Greany Dr.	37/115A and 37/118A	60,200 sq. ft. and 81,893 sq. ft.	114/57	(Possibly combine properties)
	7 Institute Rd.	28/100 and 29/16	15 acres and 10.3 acres		
9	25 Worcester Street	65/54	2.3 acres	10/5	
10	71 Barbara Jean St.	97/71	2.4 acres	10/5	Frontage on Fitzpatrick and Barbara Jean; wet but potentially buildable area at the rear of the lot but would required a wetlands crossing.
11	15 Powerline Dr.	98/122	3.5 acres	14/7	(Town Counsel to review)
12	Hudson Ave. and Millbury St.	73/35	4.4 acres	18/9	
13	4 and 6 Upton St.	74/90 and 7/89	0.33 acres and 11.6 acres		Purchased by the Town in July 2011 per authorization of Town Meeting.
14	104 Creeper Hill Rd.	17/8A	15.2 acres		Purchased by Town at May 14 2012 Town Meeting

\* The number of acres set-aside for housing is estimated to be approximately half of available acreage and thus a best guess at this time of the buildable area and in recognition of Town concerns for maintaining some amount of open space in most developments, including infrastructure requirements such as possible water and sewer treatment facilities, and in some cases accommodating other uses on site as well.

\*\* Assumes an average of four units per acre with 50% of the units affordable.



Timetable: Years 1 to 2

Resources Required: The Housing Trust, supported by the Planning Department, will work with the Town's Chief Procurement Officer and possibly a consultant to prepare a Request for Proposals, coordinate the developer selection process and monitor development and construction, marketing and tenant/owner selection and occupancy. In addition to costs of coordinating development, resources will most likely be required to help subsidize the development and CPA or Housing Trust funding might be key to supporting some predevelopment costs as well as serving as a gap filler in project financing. It should also be noted that developments of publicly owned property typically involve a substantial land subsidy where the property is conveyed to the designated developer based on a nominal or highly discounted price to make affordable housing financially feasible.

Projected Number of Affordable Units Produced: 4 units

## **2. Support Private Scattered-Site Housing**

Current Status: There are relatively small infill parcels that are geographically spread throughout Grafton that might accommodate limited numbers of new housing units in support of production goals and local needs. The Town, for example, is planning to build a duplex at 11-13 Suzanne Terrace with a selected developer and organizations, such as Habitat for Humanity, continue to look for donated land on which to build. Organizations that support special needs housing are active throughout the area and may have an interest in developing additional group homes in Grafton. There are also excellent models of small "friendly" comprehensive permit projects that have been developed in other communities that have produced affordable units without adverse neighborhood impacts. Also, accessory apartments, while not eligible for inclusion in the Subsidized Housing Inventory, will still help diversify Grafton's housing stock by providing small relatively affordable rental units, and thus should be encouraged (see strategy VI.A.1).

Next Steps: The Town can work with for profit and non-profit developers as well as with abutters of vacant land to develop new infill housing on available vacant sites scattered throughout town. The Town can play a helpful role in supporting developers in applying for subsidies to insure that at least some of the units are affordable and can be included in the Town's Subsidized Housing Inventory; can negotiate "friendly" Chapter 40B projects through DHCD's Local Initiative Program, for example; and can encourage abutters to create affordable housing on vacant adjacent lots. Resources to support such development can be accessed through CPA or Housing Trust Funds as well as a number of state and federal agencies. Moreover, with prescribed changes in the Zoning By-law (see strategy VI.A.1), accessory apartments can be better promoted as well as the development of currently nonconforming lots (see strategy VI.A.3).

Timeframe: Years 1 to 2

Resources Required: The donated time of members of the Housing Trust and staff time from the Planning Department to provide technical support for property owners, developers and service providers in encouraging new unit development on infill lots or through accessory apartments and group homes. Perhaps a certain amount of CPA or Housing Trust funding might be set-aside as an incentive for creating such units.

Projected Number of Affordable Units Produced: 8 plus the 4 units counted under strategy B.1 above.

### **3. Partner with Private Developers on “Friendly” 40B Projects**

*Current Status:* The Town, previously through the Affordable Housing Committee and now through its Affordable Housing Trust, has been committed to working with developers of Chapter 40B comprehensive permit projects, to help guide new development and negotiate changes that will better reflect local policies (see strategy VI.A.2) and priorities.

*Next Steps:* The Affordable Housing Trust will continue to be the first point of contact for developers who are interested in pursuing any affordable housing development including “friendly” Chapter 40B comprehensive permit projects. The Housing Trust will provide early input on preliminary project plans and suggest changes, where appropriate, to guide project development. The Housing Trust, with support from the Planning Department and the developer, will also work with the Board of Selectmen’s Office to prepare applications to DHCD for participation in the state’s Local Initiative Program (LIP),<sup>35</sup> the “friendly” 40B Program.

There may also be opportunities to capture additional affordable units through these projects, beyond the 25% level prescribed by Chapter 40B, by committing Trust Fund resources to purchase a couple of market units. It should also be mentioned that this strategy could also be applied to other types of developments involving the inclusion of affordable zoning such as those using the flexible zoning provisions or proposed inclusionary zoning by-law.

This approach was used effectively in Sudbury through their Housing Trust and would involve the following major steps in implementation:

- *Prepare and Issue a Request for Proposals (RFP)*  
State Chapter 30B procurement rules are now being interpreted as requiring RFP’s for any housing units that a municipality plans to acquire. In this context, the Housing Trust would issue an RFP, providing appropriate notification in local papers and the state’s Central Register. The Town would also send the RFP directly to the developers of the 40B projects that have been approved by the ZBA in recent months or are nearing approval. The RFP would include a summary of program goals as well as the maximum subsidy amount available. It would require that the developers, if interested, submit a short proposal that would include the number of units, purchase price, amount of subsidy per unit required, the timeframe for getting to closing, etc. The developers would also have to agree to affirmatively market the additional affordable units as part of their planned marketing efforts.
- *Select Project*  
Based on the selection criteria included in the RFP, the Housing Trust would select the most advantageous proposal.
- *Meet with the Developer*  
As soon as possible following developer selection, the Housing Trust would invite the selected developer to a meeting to discuss logistics and next steps towards the Trust “buying down” one or more market units in the project, to in effect convert them to affordability and inclusion in the SHI.

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<sup>35</sup> See Appendix 3 for details on the Local Initiative Program (LIP).

- *Prepare and Submit an LAU Application to DHCD*

The Housing Trust, working with the selected developer, would prepare the Local Action Unit (LAU) application that is part of the state's Local Initiative Program (LIP) and submit it to DHCD for approval. This application would include an updated Affirmative Fair Housing Marketing Plan and Regulatory Agreement.

- *Provide Subsidy to Qualifying Purchasers at Closings*

Following approval of the LAU application and implementation of the Marketing Plan, the Housing Trust would work with the developer and provide the agreed upon subsidy for the unit(s) in time for unit occupancy.

- *Insure Units Are Included in SHI*

The Housing Trust, with staff support from the Planning Department, would coordinate efforts with the developer, or its designated marketing agent, to insure that the additional affordable units are included in the SHI.

*Timetable:* Years 1 to 2

*Resources Required:* Donated time of the Housing Trust, staff time from the Planning Department, and Housing Trust funding if any units are included in a buy down strategy that would convert market units in 40B developments to affordable ones.

*Projected Number of Affordable Units Produced:* 38 units

#### **4. *Explore Opportunities for Mixed-Use and Transit-Oriented Development***

*Current Status:* In the context of good town planning and smart growth, the likely location for denser development, certainly for providing housing for smaller households and seniors, is in commercial areas and near transportation nodes. Grafton recently approved a by-law to promote mixed-use development in South Grafton that also allows multi-family development of up to eight (8) units per acre.

There are also opportunities for promoting mixed uses in other areas of town such as near the commuter rail station where residential units would add to the vitality of the area; provide housing for small households in easy walking distance to goods, services and transportation; and reduce the amount of traffic. Because of these reasons and existing financial tools, many communities are promoting mixed-use development and Transit-Oriented Development (TOD) as part of the "smart growth" policies that are increasingly gaining favor in urban, suburban and rural settings. Some of the opportunities for adaptive reuse of existing structures might also be conducive to mixed residential and commercial uses as are prospects for redeveloping some of the underutilized state-owned parcels in the northern section of town.

*Next Steps:* The Town should encourage the use of its new Village Mixed-Use District, working with developers and local landowners to promote its application through actual new development or the redevelopment of existing properties. The inclusion of affordable housing could be promoted through "friendly" 40B development or other incentives. Areas outside of the new Village Mixed-use District would also benefit from new mixed-use development such as the one adjacent to commuter rail station.

The Town can work with developers to help them secure necessary financing, advocating for approval of state funding sources such as District Improvement Financing, Urban Center Housing Zones, Tax

Increment Financing, and housing subsidy programs to help make new mixed residential and commercial development economically feasible, including the integration of affordable units.

Timetable: Years 3 to 5

Resources Required: Donated time of the Housing Trust and Planning Board as well as staff time of the Planning Department to work with developers and property owners on implementation of new mixed-use zoning, insuring that all requirements are met and the affordability restrictions of the affordable units are enforced.

Projected Number of Affordable Units Produced: 68 units

### **C. Housing Preservation**

Housing production is critical, but the Town also needs to be concerned that it does not lose current as well as future units counted as part of its Subsidized Housing Inventory. Moreover, in addition to building new affordable units, the Town is interested in preserving the most affordable segments of its existing housing stock to the greatest extent possible, converting units to long-term affordability where feasible.

#### **1. *Monitor Affordability of Subsidized Housing Inventory (SHI)***

Current Status: Most of the units in the existing SHI have deed restrictions in perpetuity (see Table III-21), or the affordability restrictions will be extended in the case of Green Acre Estates, which is being refinanced through the state's Chapter 40T Program.<sup>36</sup> Nevertheless, the Town needs to be concerned that affordable homeownership units, when up for resale, are sold to qualifying homebuyers to maintain continued and long-term affordability.

Next Steps: It is important to insure that all affordable housing units that are produced continue to remain a part of the Town's Subsidized Housing Inventory for as long a period as possible. The Housing Trust should closely monitor developments with affordable units, and the Town should work in coordination with the monitoring agent, such as CHAPA, on conducting the necessary outreach to insure that there are sufficient numbers of applicants on a Ready Buyers List to purchase units as they become available for resale.

Timeframe: Years 1 to 2

Resources Required: Donated time of members of the Housing Trust with staff support from the Planning Department.

#### **2. *Convert Existing Housing Units to Affordability***

Current Status: The Town should not overlook the potential of working with for profit, non-profit and local residents on strategies to convert existing unsubsidized units to state-defined "affordable" units.

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<sup>36</sup> Chapter 40T, which passed in 2009, has several provisions aimed at giving tenants of affordable housing plenty of notice and resources if their landlord decides to pursue the conversion of the property to market rate after affordability restrictions have expired. One of these provisions gives DHCD the right of first refusal when a building with affordable units comes up for sale. DHCD does not buy the properties outright, but relies on a pre-approved list of affordable housing developers with whom it works to help acquire and manage the property, insuring extended and long-term affordability.

This strategy is often referred to as a “buy-down” initiative aimed at purchasing, improving, subsidizing and reselling or leasing units in accordance with the Local Initiative Program (LIP) Local Action Units guidelines. Such work has been complicated by the interpretation of Chapter 30B public procurement regulations that would require the Housing Trust to issue a Request for Proposals to notify local owners of its interest in acquiring properties based on a description of program terms and conditions, including the type of properties it was interested in acquiring. Alternatively, the Town could issue an RFP to non-profit organizations for such an organization to administer the program on behalf of the Town.

The focus of such an initiative would be those housing units that are most affordable in Grafton’s private housing market to minimize the amount of subsidy required to fill the gap between the purchase price and any costs of improvements and the affordable rents or purchase prices. Smaller homes or condominiums<sup>37</sup> are reasonable targets as are small multi-family properties that offer the advantage of both rental income to their owners, making the properties more affordable, as well as relatively affordable rents for tenants. There are a couple of programmatic approaches that insure long-term affordability by focusing on existing dwelling units rather than building new ones including:

Homebuyer Assistance Programs: Homebuyer Assistance Programs (also referred to as Mortgage Assistance Programs) provide subsidies to qualified first-time homebuyers to fill the gap between the market purchase price and the affordable price that is allowed under the state’s Local Initiative Program (LIP). Such programs have been adopted in a number of towns and cities in the state. For example, the Town of Chatham has been administering its the First Time Homebuyers Assistance Program that uses up to \$60,000 in CPA funds per household to fill the gap. The Sudbury Housing Trust established \$200,000 as the maximum per unit subsidy for its program, and has also subsidized additional units in private comprehensive permit projects to create more affordable units. Other comparable programs are also available in Marshfield, Acton, Cambridge, Newton, Yarmouth, and Bourne, largely subsidized through Community Preservation funding or Affordable Housing Trust Funds.

Buy-down Programs: This approach involves the purchase of one or two-family structures or other housing types, renting or reselling one (or possibly both/several) of the units subject to deed restrictions that insure permanent affordability. Buy-down programs have proven to be viable strategies in a number of communities. The Sandwich Home Ownership Program (SHOP), for example, produced seven (7) affordable housing units under the coordination of the Housing Assistance Corporation (HAC), the Cape’s regional non-profit housing organization. Buy-down programs are usually coordinated by a non-profit housing organization and have also been implemented in Cambridge, Newton, Bedford and Arlington, for example. A number of communities – including Sandwich, Barnstable and Lexington – have had their Housing Authorities or another non-profit organization acquire properties that they continue to own and manage as rentals.

*Next Steps:* Each of these approaches implies a somewhat different implementation process, summarized below.

#### Homebuyer/Mortgage Assistance Program Approach

- *Funding:* Assuming a maximum purchase price of \$250,000 for example, representing approximately 30% of Grafton’s single-family units and almost two-thirds of its condominium and two-family housing stock according to Assessor’s records, a maximum subsidy of \$70,000

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<sup>37</sup> The affordability of condominiums is affected by condo fees that are calculated as part of mortgage underwriting criteria.

would be reasonable that would come directly from the Housing Trust. This recommendation assumes that the program would serve those earning up to 80% AMI, however in order to have a marketing window, the estimated price of the house to be purchased is based on what a household earning 70% AMI could afford or no more than about \$190,000 (assuming here a household of three but would be more for three-bedroom units) for single-family units, \$155,000 for condos.

- *Preparation of marketing materials:* An Affirmative Fair Housing Marketing Plan must be prepared that includes the marketing process that will be used as well as the application package, marketing flyers, advertisements, etc. These marketing materials will fully describe the outreach activities (information sessions, advertising, flyers and notices to appropriate local and regional agencies and organizations), the application process, the type of subsidy, all eligibility requirements, how participants will be selected, and requirements for selecting a property, obtaining mortgage financing, and finally obtaining the subsidy.
- *Submit LAU application:* The Housing Trust would prepare the Local Action Unit (LAU) application (that includes the Marketing Plan), which would be formally submitted by the Board of Selectmen to DHCD for approval and ultimately the inclusion of the units in the Subsidized Housing Inventory (SHI).
- *Implementation of the marketing plan:* The Housing Trust, with staff support from the Planning Department, would be responsible for implementing the marketing plan including outreach, the application process, determination of eligibility, lottery, matching of purchasers to available units, and coordination of closings with lenders.
- *RFP process:* The Housing Trust would prepare and issue a Request for Proposals to Grafton property owners, asking those owners who might be interested in selling their properties in line with stated program terms and conditions to respond. Notice of this RFP would be included in local and regional papers, the state's Central Register, real estate agents, etc. The RFP would ask prospective sellers to provide specific information on their property. The Trust would then evaluate homes based on price and needed repairs, selecting the most advantageous homes available and matching them with purchasers in the order of ranking and household size from the lottery.
- *Inspect properties:* The program should enter into a professional services contract with a certified inspector who would be available as needed to inspect properties and indicate what, if any, improvements are necessary to bring the property into compliance with HUD Housing Quality Standards. The costs for these inspections should not be substantial in any single year. If improvements are necessary, the inspector should estimate their costs and work with the Housing Trust and prospective purchaser to put the work out to bid, select a contractor, and enter into a contract for the work to commence following closing of the property and before occupancy.
- *Prepare documents:* The Housing Trust should work with DHCD and the lender on the necessary closing documents including the deed rider, resale price certificate, disclosure statement, and mortgage and promissory note.
- *Coordinate closings with lender:* Working with the purchaser's closing attorney, DHCD and the lender, the Housing Trust would help schedule and attend the closing, when it will execute the necessary documents and provide the subsidy.
- *Record documents:* The Housing Trust would record the mortgage and promissory note for the subsidy at the Registry of Deeds.
- *Insure inclusion of units in SHI:* The Housing Trust would follow-up with DHCD, providing the necessary documentation to insure that the units get included in the SHI.

### Buy-down Program Approach

In this approach, the Housing Trust would also issue a Request for Proposals to solicit interest from potential program administrators, such as a non-profit organization or a consultant, to coordinate program operations. The RFP would clearly state the amount of subsidy available as well as other terms and conditions that the Housing Trust wants to insure become part of the program design (e.g., eligibility requirements, type of subsidy, inclusion in SHI, rental vs. ownership, etc.). The respondents would prepare proposals based on the submission requirements included in the RFP, including what fees they will require to administer the program. The Housing Trust would enter into a formal agreement with the selected program administrator that states the obligations of all parties.

The approach could be used for rentals as well as first-time homeownership with the acquired and rehabbed units marketed for rent and those with Section 8 rental subsidies could be encouraged to apply. This rental model may be of particular interest to the Grafton Housing Authority or other non-profit organization that would own and manage the units.

The Housing Trust will also consider issuing a Request for Proposals directed to developers of proposed or approved projects that include affordable units. The RFP would state the amount of subsidy funds available to buy-down planned market rate units, converting them to affordable ones.

The Housing Trust will review these models and determine which makes the most sense in Grafton. It will then prepare an implementation plan that outlines program procedures and the respective roles and responsibilities of various municipal staff persons, boards and committees and outside consultants as appropriate.

*Resources Required:* The Town will have to use CPA funding in addition to Housing Trust funds to make this housing production approach financially feasible. A per unit subsidy of up to \$70,000 is a reasonable expectation to make this program work. Necessary program resources will also include the donated time of members of the Housing Trust as well as staff time from the Planning Department, an outside organization, or a consultant, to oversee the implementation process and ongoing program operations.

*Projected Number of Affordable Units Produced:* 6 units

## **D. Direct Assistance to Residents**

### **1. *Help Residents Access Housing Assistance***

*Current Status:* There are existing programs and services that are available to residents to support their housing needs of which local residents should be made aware. For example, there are state programs to assist qualifying homeowners with needed repair, upgrading and de-leading of their units. Such programs offer needed financial and technical assistance to seniors living on fixed incomes who are finding it increasingly difficult to afford the costs associated with rising taxes, utilities, insurance and home improvements and as a result have deferred property maintenance needs. Additionally, some seniors and those with special needs require special handicapped adaptations and repairs to help them remain in their homes. Grafton residents might also benefit from technical and financial support in the case of septic failures and Title V compliance issues. Help for those who are at risk of foreclosure would also be helpful. These resources are available from a number of regional organizations.

Moreover, there are programs available to help qualifying first-time homebuyers afford the costs of homeownership. For example, the Massachusetts Housing Partnership Fund, in coordination with the state's Department of Housing and Community Development, administers the Soft Second Loan Program to help first-time homebuyers purchase a home. MassHousing also has mortgage programs available through participating lenders that are directed to those earning below area median income and have lower down payment requirements (see Appendix 3 for details on these programs). An important component of these programs is homebuyer counseling and training programs which are beneficial to program participants and provided by authorized non-profit organizations such as the NeighborWorks Homeownership Center of Worcester, Southern Worcester County Community Development Corporation, Worcester East Side CDC, South Middlesex Opportunities Council (SMOC), and RCAP Solutions.

*Next Steps:* Through the Housing Trust's continued community educational campaign, important information on housing resources will be disseminated to real estate professionals, local organizations and community residents. The Council on Aging and the Grafton Housing Authority are also important outlets for providing information on available programs and services.

*Timeframe:* Years 1 to 2

*Resources Required:* The Town, through its Council on Aging, Housing Authority and the Housing Trust, should provide the necessary education and referrals to programs, lenders and other agencies that provide low-cost financing for repair needs including de-leading, septic systems and other home improvements as well as more affordable mortgage financing for first-time homebuyers, and counseling for prospective and recent home purchasers and those at risk of foreclosure.

## **2. Implement an Emergency Assistance Program**

*Current Status:* The Housing Trust is currently exploring options for providing emergency assistance to individuals and families with very limited incomes but with pressing home improvement needs such as a heating system failure, roof leaks, septic system problem, need for home modifications for a disabled household member, etc.

*Next Steps:* The Housing Trust will meet with the Council on Aging to get their input on local needs and a responsive program design. The Trust, with staff support from the Planning Department, will then prepare a program design and implementation plan. The Town of Sudbury has initiated a comparable program that would be worth reviewing in designing an approach for Grafton.

*Timetable:* Years 1 to 2

*Resources Required:* Donated time of members of the Housing Trust with staff time from the Planning Department in overseeing program administration. Housing Trust funding will also be required to support the Program.



## **Appendix 1**

### **LOCAL AND REGIONAL ORGANIZATIONS**

Grafton has a number of local and regional agencies and organizations available to help support the production of affordable housing or provide housing-related services including:

#### **1. Grafton Affordable Housing Trust**

The Town of Grafton's Board of Selectmen formed the Grafton Affordable Housing Committee in July 2001 to encourage the production of permanently affordable housing for local residents. The Committee coordinated the preparation of the 2006 Affordable Housing Plan and was disbanded when the Town approved the establishment of the Grafton Affordable Housing Trust in 2007. The mission of the Housing Trust is:

*To provide for the creation, preservation and retention of affordable housing and rental housing in the Town of Grafton for the benefit of low and moderate-income households through a variety of programs including education and advocacy.*

On June 7, 2005, new state legislation, called the Municipal Affordable Housing Trust Fund Act, was adopted which simplified the process of establishing Housing Trusts. Previously, cities could create trusts through their own resolution, but Towns had to get approval from the state legislature through a home rule petition. The law provides guidelines on what trusts can do and allows communities to collect funds for housing, segregate them out of the general budget into an affordable housing trust fund, and use these funds without going back to Town Meeting for approval. It also enables trusts to own and manage real estate, not just receive and disburse funds. The law further requires that local housing trusts be governed by at least a five-member board of trustees, appointed and confirmed by the Board of Selectmen, in the case of towns, and including a member of the Board of Selectmen or the Town Administrator. While the new trusts must be in compliance with Chapter 30B, the law which governs public procurement as well as public bidding and construction laws, it is likely that most trusts will opt to dispose of property through a sale or long-term lease to a developer so as to clearly differentiate any affordable housing development project from a public construction project.

The Grafton Housing Trust approved a Declaration of Trust that detailed goals and procedures and was able to obtain approval from the Community Preservation Committee and Town Meeting to have 10% of the annual CPA allocation passed on directly to the Housing Trust to capitalize its Housing Trust Fund. The Trust, with staff support from the Planning Department, is responsible for coordinating the implementation of this Housing Production Plan.

#### **2. Grafton Housing Authority (GHA)**

The Grafton Housing Authority developed and owns 170 subsidized rental units in Grafton, 150 of which it manages, as described in Section III.D.1. There is substantial demand for all units, based largely on the excellent reputation of the Housing Authority and the substantial unmet need for publicly assisted housing. The waits for the 22 family units at Veteran's Circle and McHale Drive involve about five years for local residents. The units set-aside for seniors and disabled at Forest Lane and Maxwell Drive involve waits of about one year for residents and an undetermined amount of time for those living outside of Grafton. The Housing Authority does not manage rental subsidies, such as Section 8 vouchers, but focuses its efforts on property management activities, which are challenging in the context of limited state resources for needed improvements.

### **3. *Grafton Community Preservation Committee***

The Grafton Community Preservation Committee (CPC) has been charged with the oversight of funds to be raised through the Town's passage of the Community Preservation Act.<sup>38</sup> In September of 2000, the Community Preservation Act was enacted to provide Massachusetts cities and towns with another tool to conserve open space, preserve historic properties and provide affordable housing. This enabling statute established the authority for municipalities in the Commonwealth to create a Community Preservation Fund derived from a surcharge of up to 3% of the property tax with a corresponding state match of up to 100%.<sup>39</sup> Once adopted the Act requires at least 10% of the monies raised to be distributed to each of the three categories (open space, historic preservation and affordable housing), allowing flexibility in distributing the majority of the money to any of the three uses as determined by the community. The Act further requires that a Community Preservation Committee of five to nine members be established, representing various boards or committees in the community, to recommend to the legislative body, in this case Town Meeting, how to spend the Community Preservation Fund.

In May 2002, the voters of Grafton adopted the CPA, approving a 1.5% surcharge on most property taxes paid by residents. The Town chose to exempt the first \$100,000 of property value, plus an exemption is also available for residential property owned and occupied by low-income residents and seniors.

Grafton's Community Preservation Committee is comprised of nine members including representatives of the Planning Board, Historic Commission, Conservation Commission, Recreation Commission, Housing Authority and four "Members at Large" appointed by the Board of Selectmen. This Committee was organized in October 2002, and it was formally appointed in January 2003. In 2011, the local surcharge and state share raised \$356,396.

### **4. *Grafton Council on Aging***

The Grafton Council on Aging is a Town department that supports the quality of life of Grafton's elders through a wide variety of services including the operation of a Senior Center that offers social programs for seniors, an information and referral service on a wide range of issues, community-based services to promote independent living, free shuttle bus transportation, as well as in-home support services. The Council relies heavily on local volunteers to support its activities.

The Council receives a great many housing-related inquiries from local residents, as well as those who live outside the town, concerning the availability of housing options for seniors. The Council on Aging indicated that there is considerable need and demand for additional housing options for seniors, particularly units for those interested in downsizing from their single-family homes and reducing home maintenance requirements. The Council mentioned that many seniors were finding it difficult to afford increasing property tax and fuel bills on their fixed incomes and were looking into other options in town such as Green Acres only to find long waits for available units. Additionally, there are no assisted living units in town and affordable assisted living options are scarce in the region. Consequently, seniors make every effort to remain in their homes with support from the Council on Aging and other service providers until a health crisis forces relocation to a nursing home and out of the community. The Council has also received many inquiries on reverse equity mortgages that are gaining popularity as a means for seniors to continue to afford to "age in place" in the own home and community.

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<sup>38</sup> Massachusetts General Laws, Chapter 44B.

<sup>39</sup> This state match is now considerably lower given that it relies on fees from the Registry of Deeds that have decreased significantly over the past several years given the financial crisis and corresponding slow down of development.

The Council on Aging also works with the Town on a program that abates taxes for low-income seniors in exchange for minor services to the Town, for example, volunteering at a school or library. In addition to this work program, the Town also has a tax exemption program for income-eligible seniors over the age of 70 that reduces property tax bills by \$750.

#### **5. *South Middlesex Opportunity Council, Inc. (SMOC)***

SMOC is a private, non-profit organization that serves as the area's community action agency, providing a wide range of programs and services for the greater Metro West and Blackstone Valley areas. The corporation's goal has been to improve the quality of life for low-income people by working with the community to affect social, individual and family change. Programs include day care and preschool education, employment training and placement, housing, addiction, mental health, women's protective services, nutrition, energy and weatherization, legal services, services for the elderly, emergency shelter, as well as community organizing around health care, housing, rising energy cost and banking services.

SMOC provides housing and community services to low- and moderate-income individuals and families including rental assistance programs, loan programs to support home modifications to improve access for the disabled, deleading, and weatherization improvements. Financial assistance is also provided to subsidize the costs of fuel, water and sewer costs to qualifying households.

In 1986, SMOC created a subsidiary non-profit development organization, South Middlesex Non-Profit Housing Corporation, to preserve, improve and develop new housing choices for low- and moderate-income residents, and integrating supportive services when appropriate. The Housing Corporation not only develops but owns and manages the agency's real estate as well, both residential and commercial properties including 600 units ranging from emergency shelters, special needs housing, Sober housing, transitional housing for individuals and families, affordable single and family rentals, and first-time homeownership opportunities.

#### **6. *Habitat for Humanity – Metro West/Greater Worcester***

Habitat for Humanity is an ecumenical, non-profit Christian ministry dedicated to building simple, decent homes in partnership with families in need that has grown over the past two decades into one of the largest private homebuilders in the world. The organization has almost 1,600 U.S. affiliates and over 2,000 affiliates worldwide, including one based in Framingham that serves a number of towns in the Metro West area including Grafton. Affiliates are operated with multi-denominational and multi-racial local leadership and with community volunteers who construct or rehabilitate houses that are sold without profit and interest to selected families in the area. The organization has completed 30 homes involving \$3.75 million in leveraged resources and 11,000 volunteer hours. The organization continues to search for additional sites on which to build affordable homes and is working with the Grafton Housing Trust on a project at Miscoe Brook Preserved.

#### **7. *RCAP Solutions (Resources for Communities and People)***

RCAP Solutions, also known as Rural Housing Improvement, is part of a regional branch of a national private, non-profit organization that provides technical assistance in the areas of rural drinking water, and wastewater treatment systems, solid waste programs, housing, economic development, comprehensive community assessment and planning and compliance with environmental regulations. The organization serves as the regional housing agency and provides housing and community services to low- and moderate-income individuals and families including rental assistance programs. They manage approximately 2,200 rental subsidies and also provide a range of homeowner services such as

first-time homebuyer education, down payment assistance, lead abatement assistance, foreclosure prevention, mortgage default counseling, and budget and credit counseling. The organization also owns and manages eleven (11) developments in the region and is pursuing new opportunities to develop and manage real estate.

**8. *Central Massachusetts Regional Planning Commission (CMRPC)***

The Central Massachusetts Regional Planning Commission (CMRPC) is the designated regional planning agency for the area that includes Grafton. It provides a wide range of planning services to communities within the region related to community development, transportation, data analysis and even homeland security.

## **Appendix 2**

### **Glossary of Housing Terms**

#### **Affordable Housing**

A subjective term, but as used in this Plan, refers to housing available to a household earning no more than 80% of area median income at a cost that is no more than 30% of total household income.

#### **Area Median Income (AMI)**

The estimated median income, adjusted for family size, by metropolitan area (or county in nonmetropolitan areas) that is adjusted by HUD annually and used as the basis of eligibility for most housing assistance programs. Sometimes referred to as “MFI” or median family income.

#### **Chapter 40B**

The state’s comprehensive permit law, enacted in 1969, established an affordable housing goal of 10% for every community. In communities below the 10% goal, developers of low- and moderate-income housing can seek an expedited local review under the comprehensive permit process and can request a limited waiver of local zoning and other restrictions, which hamper construction of affordable housing. Developers can appeal to the state if their application is denied or approved with conditions that render it uneconomic, and the state can overturn the local decision if it finds it unreasonable in light of the need for affordable housing.

#### **Chapter 44B**

The Community Preservation Act Enabling Legislation that allows communities, at local option, to establish a Community Preservation Fund to preserve open space, historic resources and community housing, by imposing a surcharge of up to 3% on local property taxes. The state provides matching funds from its own Community Preservation Trust Fund, generated from an increase in certain Registry of Deeds’ fees.

#### **Comprehensive Permit**

Expedited permitting process for developers building affordable housing under Chapter 40B “anti-snob zoning” law. A comprehensive permit, rather than multiple individual permits from various local boards, is issued by the local zoning boards of appeals to qualifying developers.

#### **Department of Housing and Community Development (DHCD)**

DHCD is the state’s lead agency for housing and community development programs and policy. It oversees state-funded public housing, administers rental assistance programs, provides funds for municipal assistance, and funds a variety of programs to stimulate the development of affordable housing.

#### **Fair Housing Act**

Federal legislation, first enacted in 1968, that provides the Secretary of HUD with investigation and enforcement responsibilities for fair housing practices. It prohibits discrimination in housing and lending based on race, color, religion, sex, national origin, handicap, or familial status. There is also a Massachusetts Fair Housing Act, which extends the prohibition against discrimination to sexual orientation, marital status, ancestry, veteran status, children, and age. The state law also prohibits discrimination against families receiving public assistance or rental subsidies, or because of any requirement of these programs.

**Inclusionary Zoning**

A zoning ordinance or by-law that requires a developer to include affordable housing as part of a development or contribute to a fund for such housing.

**Infill Development**

The practice of building on vacant or undeveloped parcels in dense areas, especially urban and inner suburban neighborhoods. Promotes compact development, which in turn allows undeveloped land to remain open and green.

**Local Initiative Program (LIP)**

A state program under which communities may use local resources and DHCD technical assistance to develop affordable housing that is eligible for inclusion on the state Subsidized Housing Inventory (SHI). LIP is not a financing program, but the DHCD technical assistance qualifies as a subsidy and enables locally supported developments that do not require other financial subsidies to use the comprehensive permit process. At least 25% of the units must be set-aside as affordable to households earning less than 80% of area median income.

**MassHousing (formerly the Massachusetts Housing Finance Agency, MHFA)**

A quasi-public agency created in 1966 to help finance affordable housing programs. MassHousing sells both tax-exempt and taxable bonds to finance its many single-family and multi-family programs.

**Metropolitan Statistical Area (MSA)**

The term is also used for CMSAs (consolidated metropolitan statistical areas) and PMSAs (primary metropolitan statistical areas) that are geographic units used for defining urban areas that are based largely on commuting patterns. The federal Office of Management and Budget defines these areas for statistical purposes only, but many federal agencies use them for programmatic purposes, including allocating federal funds and determining program eligibility. HUD uses MSAs as its basis for setting income guidelines and fair market rents.

**Mixed-Income Housing Development**

Development that includes housing for various income levels.

**Mixed-Use Development**

Projects that combine different types of development such as residential, commercial, office, industrial and institutional into one project.

**Overlay Zoning**

A zoning district, applied over one or more other districts that contains additional provisions for special features or conditions, such as historic buildings, affordable housing, or wetlands.

**Public Housing Agency (PHA)**

A public entity that operates housing programs: includes state housing agencies (including DHCD), housing finance agencies and local housing authorities. This is a HUD definition that is used to describe the entities that are permitted to receive funds or administer a wide range of HUD programs including public housing and Section 8 rental assistance.

**Regional Non-Profit Housing Organizations**

Regional non-profit organizations include nine private, non-profit housing agencies, which administer the Section 8 Program on a statewide basis, under contract with DHCD. Each agency serves a wide

geographic region. Collectively, they cover the entire state and administer over 15,000 Section 8 vouchers. In addition to administering Section 8 subsidies, they administer state-funded rental assistance (MRVP) in communities without participating local housing authorities. They also develop affordable housing and run housing rehabilitation and weatherization programs, operate homeless shelters, run homeless prevention and first-time homebuyer programs, and offer technical assistance and training programs for communities. Rural Housing Improvement, Inc., also known as RCAP Solutions, serves as Grafton's regional non-profit organization.

### **Regional Planning Agencies (RPAs)**

These are public agencies that coordinate planning in each of thirteen regions of the state. They are empowered to undertake studies of resources, problems, and needs of their districts. They provide professional expertise to communities in areas such as master planning, affordable housing and open space planning, and traffic impact studies. With the exception of the Cape Cod and Nantucket Commissions, however, which are land use regulatory agencies as well as planning agencies, the RPAs serve in an advisory capacity only. The Central Massachusetts Regional Planning Commission serves as Grafton's regional planning agency.

### **Request for Proposals (RFP)**

A process for soliciting applications for funding when funds are awarded competitively or soliciting proposals from developers as an alternative to lowest-bidder competitive bidding.

### **Section 8**

Refers to the major federal (HUD) program – actually a collection of programs – providing rental assistance to low-income households to help them pay for housing. Participating tenants pay 30% of their income (some pay more) for housing (rent and basic utilities) and the federal subsidy pays the balance of the rent. The Program is now officially called the Housing Choice Voucher Program.

### **Smart Growth**

The term used to refer to a rapidly growing and widespread movement that calls for a more coordinated, environmentally sensitive approach to planning and development. A response to the problems associated with unplanned, unlimited suburban development – or sprawl – smart growth principles call for more efficient land use, compact development patterns, less dependence on the automobile, a range of housing opportunities and choices, and improved jobs/housing balance.

### **Subsidy**

Typically refers to financial assistance that fills the gap between the costs of any affordable housing development and what the occupants can afford based on program eligibility requirements. Many times multiple subsidies from various funding sources are required, often referred to as the “layering” of subsidies, in order to make a project feasible. In the state's Local Initiative Program (LIP), DHCD's technical assistance qualifies as a subsidy and enables locally supported developments that do not require other financial subsidies to use the comprehensive permit process. Also, “internal subsidies” refers to those developments that do not have an external source(s) of funding for affordable housing, but use the value of the market units to “cross subsidize” the affordable ones.

### **Subsidized Housing Inventory (SHI)**

This is the official list of units, by municipality, that count toward a community's 10% goal as prescribed by Chapter 40B comprehensive permit law.

### **US Department of Housing and Urban Development (HUD)**

The primary federal agency for regulating housing, including fair housing and housing finance. It is also the major federal funding source for affordable housing programs.

## **APPENDIX 3**

### **Summary of Housing Regulations and Resources**

#### **I. SUMMARY OF HOUSING REGULATIONS**

##### **A. Chapter 40B Comprehensive Permit Law**

The Massachusetts Comprehensive Permit Law, Chapter 40B Sections 20-23 of the General Laws, was enacted as Chapter 774 of the Acts of 1969 to encourage the construction of affordable housing throughout the state, particularly outside of cities. Often referred to as the Anti-Snob Zoning Act, it requires all communities to use a streamlined review process through the local Zoning Board of Appeals for “comprehensive permits” submitted by developers for projects proposing zoning and other regulatory waivers and incorporating affordable housing for at least 25% of the units. Only one application is submitted to the ZBA instead of separate permit applications that are typically required by a number of local departments as part of the normal development process. Here the ZBA takes the lead and consults with the other relevant departments (e.g., building department, planning department, highway department, fire department, sanitation department, etc.) on a single application. The Conservation Commission retains jurisdiction under the Wetlands Protection Act and Department of Environmental Protection, the Building Inspector applies the state building code, and the Board of Health enforces Title V.

For a development to qualify under Chapter 40B, it must meet all of the following requirements:

- Must be part of a “subsidized” development built by a public agency, non-profit organization, or limited dividend corporation.
- At least 25% of the units in the development must be income restricted to households with incomes at or below 80% of area median income and have rents or sales prices restricted to affordable levels income levels defined each year by the US Department of Housing and Urban Development.
- Affordability restrictions must be in effect in perpetuity unless there is a justification for a shorter term that must be approved by DHCD.
- Development must be subject to a regulatory agreement and monitored by a public agency or non-profit organization.
- Project sponsors must meet affirmative marketing requirements.

According to Chapter 40B regulations, the ZBA decision to deny or place conditions on a comprehensive permit project cannot be appealed by the developer if any of the following conditions are met<sup>40</sup>:

- The community has met the “statutory minima” by having at least 10% of its year-round housing stock affordable as defined by Chapter 40B, at least 1.5% of the community’s land area includes affordable housing as defined again by 40B, or annual affordable housing construction is on at least 0.3% of the community’s land area.
- The community has made “recent progress” adding SHI eligible housing units during the prior 12 months equal at least to 2% of its year-round housing.

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<sup>40</sup> Section 56.03 of the new Chapter 40B regulations.



- The community has a one- or two-year exemption under Housing Production.
- The application is for a “large project” that equals at least 6% of all housing units in a community with less than 2,500 housing units.
- A “related application” for the site was filed, pending or withdrawn within 12 months of the application.

If a municipality does not meet any of the above thresholds, it is susceptible to appeals by comprehensive permit applicants of the ZBA’s decision to the state’s Housing Appeals Committee (HAC). This makes the Town susceptible to a state override of local zoning if a developer chooses to create affordable housing through the Chapter 40B comprehensive permit process.<sup>41</sup> Recently approved regulations add a new requirement that ZBA’s provide early written notice (within 15 days of the opening of the local hearing) to the applicant and to DHCD if they intend to deny or condition the permit based on the grounds listed above that make the application appeal proof, providing documentation for its position. Under these circumstances, municipalities can count projects with approved comprehensive permits that are under legal approval, but not by the ZBA, at the time.

If the applicant appeals the use of these “appeals proof” grounds, DHCD will review materials from the ZBA and applicant and issue a decision within 30 days of receipt of the appeal (failure to issue a decision is a construction approval of the ZBA’s position). Either the ZBA or applicant can appeal DHCD’s decision by filing an interlocutory appeal with the Housing Appeals Committee (HAC) within 20 days of receiving DHCD’s decision. If a ZBA fails to follow this procedure, it waives its right to deny a permit on these “appeal-proof” grounds.

Recent changes to Chapter 40B also address when a community can or cannot count a unit as eligible for inclusion in the SHI including:

- *40R*  
Units receiving zoning approval under 40R count when the permit or approval is filed with the municipal clerk provided that no appeals are filed by the board or when the last appeal is fully resolved, similar to a comprehensive permit project.
- *Certificate of Occupancy*  
Units added to the SHI on the basis of receiving building permits become temporarily ineligible if the C of O is not issued within 18 months.
- *Large Phased Projects*  
If the comprehensive permit approval or zoning approval allows a project to be built in phases and each phase includes at least 150 units and average time between the start of each phase is 15 months or less, then the entire project remains eligible for the SHI as long as the phasing schedule set forth in the permit approval continues to be met.

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<sup>41</sup> Chapter 774 of the Acts of 1969 established the Massachusetts Comprehensive Permit Law (Massachusetts General Laws Chapter 40B) to facilitate the development of affordable housing for low- and moderate-income households (defined as any housing subsidized by the federal or state government under any program to assist in the construction of low- or moderate-income housing for those earning less than 80% of median income) by permitting the state to override local zoning and other restrictions in communities where less than 10% of the year-round housing is subsidized for low- and moderate-income households.

- *Projects with Expired Use Restrictions*  
Units become ineligible for inclusion in the SHI upon expiration or termination of the initial use restriction unless a subsequent use restriction is imposed.
- *Biennial Municipal Reporting*  
Municipalities are responsible for providing the information on units that should be included in the SHI through a statement certified by the chief executive officer.

Towns are allowed to set-aside up to 70% of the affordable units available in a 40B development for those who have a connection to the community as defined under state guidelines including current residents, municipal employees, or employees of businesses located in town. It is also worth noting that the Town, through its Affirmative Fair Housing Marketing Plan, must demonstrate the associated local need for the community preference and insure that there will be no discriminatory impacts with the use of community preference.

While there are ongoing discussions regarding how the state should count the affordable units for the purpose of determining whether a community has met the 10% goal, in a rental project if the subsidy applies to the entire project, all units are counted towards the state standard. For homeownership projects, only the units made affordable to those households earning within 80% of median income can be attributed to the affordable housing inventory.

There are up to three stages in the 40B process – the project eligibility stage, the application stage, and at times the appeals stage. First, the applicant must apply for eligibility of a proposed 40B project/site from a subsidizing agency. Under Chapter 40B, subsidized housing is not limited exclusively to housing receiving direct public subsidies but also applies to privately-financed projects receiving technical assistance from the State through its Local Initiative Program (LIP) or through MassHousing (Housing Starts Program), Federal Home Loan Bank Board (New England Fund), MassDevelopment, and Massachusetts Housing Partnership Fund. The subsidizing agency then forwards the application to the local Board of Selectmen for a 30-day comment period. The Board of Selectmen solicits comments from Town officials and other boards and based on their review the subsidizing agency typically issues a project eligibility letter. Alternatively, a developer may approach the Board of Selectmen for their endorsement of the project, and the Selectmen can submit an application to DHCD for certification under the Local Initiative Program (for more information see description in Section I.E below).

Recent changes to 40B regulations expands the items a subsidizing agency must consider when determining site eligibility including:

- Information provided by the municipality or other parties regarding municipal actions previously taken to meet affordable housing needs, including inclusionary zoning, multi-family districts and 40R overlay zones.
- Whether the conceptual design is appropriate for the site including building massing, topography, environmental resources, and integration into existing development patterns.
- That the land valuation, as included in the pro forma, is consistent with DHCD guidelines regarding cost examination and limitations on profits and distribution.
- Requires that LIP site approval applications be submitted by the municipality's chief executive officer.

- Specifies that members of local boards can attend the site visit conducted during DHCD's 30-day review period.
- Requires that the subsidizing agency provide a copy of its determination of eligibility to DHCD, the chief executive officer of the municipality, the ZBA and the applicant.

If there are substantial changes to a project before the ZBA issues its decision, the subsidizing agency can defer the re-determination of site/project eligibility until the ZBA issues its decision unless the chief executive officer of the municipality or applicant requests otherwise. New 40B regulations provide greater detail on this re-determination process. Additionally, challenges to project eligibility determinations can only be made on the grounds that there has been a substantial change to the project that affects project eligibility requirements and leaves resolution of the challenge to the subsidizing agency.

The next stage in the comprehensive permit process is the application phase including pre-hearing activities such as adopting rules before the application is submitted, setting a reasonable filing fee, providing for technical "peer review" fees, establishing a process for selecting technical consultants, and setting forth minimum application submission requirements. Failure to open a public hearing within 30 days of filing an application can result in constructive approval. The public hearing is the most critical part of the whole application process. Here is the chance for the Zoning Board of Appeals' consultants to analyze existing site conditions, advise the ZBA on the capacity of the site to handle the proposed type of development, and to recommend alternative development designs. Here is where the ZBA gets the advice of experts on unfamiliar matters – called peer review. Consistency of the project with local needs is the central principle in the review process.

Another important component of the public hearing process is the project economic analysis that determines whether conditions imposed and waivers denied would render the project "uneconomic". The burden of proof is on the applicant, who must prove that it is impossible to proceed and still realize a reasonable return, which cannot be more than 20%. Another part of the public hearing process is the engineering review. The ZBA directs its consultants to analyze the consistency of the project with local by-laws and regulations and to examine the feasibility of alternative designs.

New Chapter 40B regulations now add a number of requirements related to the hearing process that include:

- The hearing is terminated within 180 days of the filing of a complete application unless the applicant consents to extend.
- Allows communities already considering three (3) or more comprehensive permit applications to stay a hearing on additional applications if the total units under consideration meet the definition of a large project (larger of 300 units or 2% of housing in communities with 7,500 housing units as of the latest Census, 250 units in communities with 5,001 to 7,499 total units, 200 units in communities with 2,500 to 5,000 units, and 150 units or 10% of housing in communities with less than 2,500 units).
- Local boards can adopt local rules for the conduct of their hearings, but they must obtain an opinion from DHCD that their rules are consistent with Chapter 40B.
- Local boards cannot impose "unreasonable or unnecessary" time or cost burdens on an applicant and cannot require an applicant to pay legal fees for general representation of the ZBA or other boards. The new requirements go into the basis of the fees in more detail, but as a

general rule the ZBA may not assess any fee greater than the amount that might be appropriated from town or city funds to review a project of a similar type and scale.

- An applicant can appeal the selection of a consultant within 20 days of the selection on the grounds that the consultant has a conflict of interest or lacks minimum required qualifications.
- Specifies and limits the circumstances under which ZBA's can review pro formas.
- Zoning waivers are only required under "as of right" requirements, not from special permit requirements.
- Forbids ZBA's from imposing conditions that deviate from the project eligibility requirements or that would require the project to provide more affordable units than the minimum threshold required by DHCD guidelines.
- States that ZBA's cannot delay or deny an application because a state or federal approval has not been obtained.
- Adds new language regarding what constitutes an uneconomic condition including requiring applicants to pay for off-site public infrastructure or improvements if they involve pre-existing conditions, are not usually imposed on unsubsidized housing or are disproportionate to the impacts of the proposed development or require a reduction in the number of units other than on a basis of legitimate local concerns (health, safety, environment, design, etc.). Also states that a condition shall not be considered uneconomic if it would remove or modify a proposed nonresidential element of a project that is not allowed by right.

After the public hearing is closed, the ZBA must set-aside at least two sessions for deliberations within 40 days of the close of the hearing. These deliberations can result in either approval, approval with conditions, or denial.

Subsidizing agencies are required to issue final project eligibility approvals following approval of the comprehensive permit reconfirming project eligibility, including financial feasibility, and approving the proposed use restriction and finding that the applicant has committed to complying with cost examination requirements. New Chapter 40B regulations set forth the basic parameters for insuring that profit limitations are enforced, while leaving the definition of "reasonable return" to the subsidizing agency in accordance with DHCD guidelines. The applicant or subsequent developer must submit a detailed financial statement, prepared by a certified public accountant, to the subsidizing agency in a form and upon a schedule determined by the DHCD guidelines.

If the process heads into the third stage – the appeals process – the burden is on the ZBA to demonstrate that the denial is consistent with local needs, meaning the public health and safety and environmental concerns outweigh the regional need for housing. If a local ZBA denies the permit, a state Housing Appeals Committee (HAC) can overrule the local decision if less than 10% of the locality's year round housing stock has been subsidized for households earning less than 80% of median income, if the locality cannot demonstrate health and safety reasons for the denial that cannot be mitigated, or if the community has not met housing production goals based on an approved plan or other statutory minima listed above. The HAC has upheld the developer in the vast majority of the cases, but in most instances promotes negotiation and compromise between the developer and locality. In its 30-year history, only a handful of denials have been upheld on appeal. The HAC cannot issue a permit, but may only order the ZBA to issue one. Also, any aggrieved person, except the applicant, may appeal to the Superior Court or Land Court, but even for abutters, establishing "standing" in court is an uphill battle. Appeals from approvals are often filed to force a delay in commencing a project, but the appeal must demonstrate "legal error" in the decision of the ZBA or HAC.

## **B. Housing Production Regulations**

As part of the Chapter 40B comprehensive permit regulations, the Massachusetts Department of Housing and Community Development (DHCD) is administering the Housing Production Program in accordance with regulations that enable cities and towns to do the following:

- Prepare and adopt an Housing Production Plan that demonstrates production of an increase of .05% over one year or 1.0% over two-years of its year-round housing stock eligible for inclusion in the Subsidized Housing Inventory (36 units and 72 units, respectively, for Grafton for *approval* by DHCD.<sup>42</sup>
- Request *certification* of compliance with the plan by demonstrating production of at least the number of units indicated above.
- Through local ZBA action, deny a comprehensive permit application during the period of certified compliance, which is 12 months following submission of the certification documentation to DHCD, or 24 months if the 1.0% threshold is met.

For the plan to be acceptable to DHCD it must meet the following requirements:

- Include a comprehensive housing needs assessment to establish the context for municipal action based on the most recent census data. The assessment must include a discussion of municipal infrastructure based on future planned improvements.
- Address a mix of housing consistent with identified needs and market conditions.
- Address the following strategies including -
  - Identification of geographic areas in which land use regulations will be modified to accomplish affordable housing production goals.
  - Identification of specific sites on which comprehensive permit applications will be encouraged.
  - Preferable characteristics of residential development such as infill housing, clustered areas, and compact development.
  - Municipally owned parcels for which development proposals will be sought.
  - Participation in regional collaborations addressing housing development.

The Board of Selectmen and Planning Board must adopt plans, and the term of an approved plan is five (5) years.

## **C. Chapter 40R/40S**

In 2004, the State Legislature approved a new zoning tool for communities in recognition that escalating housing prices, now beyond the reach of increasing numbers of state residents, are causing graduates from area institutions of higher learning to relocate to other areas of the country in search of greater affordability. The Commonwealth Housing Task Force, in concert with other organizations and institutions, developed a series of recommendations, most of which were enacted by the State Legislature as Chapter 40R of the Massachusetts General Laws. The key components of these regulations are that “the state provide financial and other incentives to local communities that pass Smart Growth Overlay Zoning Districts that allow the building of single-family homes on smaller lots

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<sup>42</sup> Massachusetts General Law Chapter 40B, 760 CMR 31.07 (1)(i).

and the construction of apartments for families at all income levels, and the state increase its commitment to fund affordable housing for families of low and moderate income”.<sup>43</sup>

The statute defines 40R as “a principle of land development that emphasizes mixing land uses, increases the availability of affordable housing by creating a range of housing opportunities in neighborhoods, takes advantage of compact design, fosters distinctive and attractive communities, preserves opens space, farmland, natural beauty and critical environmental areas, strengthens existing communities, provides a variety of transportation choices, makes development decisions predictable, fair and cost effective and encourages community and stakeholder collaboration in development decisions.”<sup>44</sup> The key components of 40R include:

- Allows local option to adopt Overlay Districts near transit, areas of concentrated development, commercial districts, rural village districts, and other suitable locations;
- Allows “as-of-right” residential development of minimum allowable densities;
- Provides that 20% of the units be affordable;
- Promotes mixed-use and infill development;
- Provides two types of payments to municipalities; and
- Encourages open space and protects historic districts.

The incentives prescribed by the Task Force and passed by the Legislature include an incentive payment upon the passage of the Overlay District based on the number of projected housing units as follows:

**Incentive Payments**

Incentive Units	Payments
Up to 20	\$10,000
21-100	\$75,000
101-200	\$200,000
210-500	\$350,000
501 or more	\$600,000

There are also density bonus payments of \$3,000 for each residential unit issued a building permit. To be eligible for these incentives the Overlay Districts need to allow mixed-use development and densities of 20 units per acre for apartment buildings, 12 units per acre for two and three-family homes, and at least eight units per acre for single-family homes. Communities with populations of less than 10,000 residents are eligible for a waiver of these density requirements, however significant hardship must be demonstrated. The Zoning Districts would also encourage housing development on vacant infill lots and in underutilized nonresidential buildings. The Task Force emphasizes that Planning Boards, which would prepare the Zoning District bylaw (ordinance) for Town Meeting (City Council) enactment, would be “able to ensure that what is built in the District is compatible with and reflects the character of the immediate neighborhood.”<sup>45</sup>

<sup>43</sup> Edward Carman, Barry Bluestone, and Eleanor White for The Commonwealth Housing Task Force, “A Housing Strategy for Smart Growth and Economic Development: Executive Summary”, October 30, 2003, p. 3.  
<sup>44</sup> Massachusetts General Law, Chapter 40R, Section 11.  
<sup>45</sup> “A Housing Strategy for Smart Growth and Economic Development: Executive Summary,” p. 4.

The principal benefits of 40R include:

- Expands a community's planning efforts;
- Allows communities to address housing needs;
- Allows communities to direct growth;
- Can help communities meet planned production goals and 10% threshold under Chapter 40B;
- Can help identify preferred locations for 40B developments; and
- State incentive payments.

The formal steps involved in creating Overlay Districts are as follows:

- The Town holds a public hearing as to whether to adopt an Overlay District per the requirements of 40R;
- The Town applies to DHCD prior to adopting the new zoning;
- DHCD reviews the application and issues a Letter of Eligibility if the new zoning satisfies the requirements of 40R;
- The Town adopts the new zoning through a two-thirds vote of Town Meeting subject to any modifications required by DHCD;
- The Town submits evidence of approval to DHCD upon the adoption of the new zoning; and
- DHCD issues a letter of approval, which indicates the number of incentive units and the amount of payment.

The state recently enacted Chapter 40S under the Massachusetts General Law that provides additional benefits through insurance to towns that build affordable housing under 40R that they would not be saddled with the extra school costs caused by school-aged children who might move into this new housing. This funding was initially included as part of 40R but was eliminated during the final stages of approval. In effect, 40S is a complimentary insurance plan for communities concerned about the impacts of a possible net increase in school costs due to new housing development.

#### **D. Local Initiative Program (LIP) Guidelines**

The Local Initiative Program (LIP) is a technical assistance subsidy program to facilitate Chapter 40B developments and locally produced affordable units. The general requirements of LIP include insuring that projects are consistent with sustainable or smart growth development principles as well as local housing needs. LIP recognizes that there is a critical need for all types of housing but encourages family and special needs housing in particular. Age-restricted housing (over 55) is allowed but the locality must demonstrate actual need and marketability. DHCD has the discretion to withhold approval of age-restricted housing if other such housing units within the community remain unbuilt or unsold or if the age-restricted units are unresponsive to the need for family housing within the context of other recent local housing efforts.

There are two types of LIP projects, those using the comprehensive permit process, the so-called "friendly" 40B's, and Local Action Units, units where affordability is a result of some local action such as inclusionary zoning, Community Preservation funding, other regulatory requirements, etc.

Specific LIP requirements include the following by category:

### **Income and Assets**

- Must be affordable to those earning at or below 80% of area median income adjusted by family size and annually by HUD. Applicants for affordable units must meet the program income limits in effect at the time they apply for the unit and must continue to meet income limits in effect when they actually purchase a unit.
- For homeownership units, the household may not have owned a home within the past three years except for age-restricted “over 55” housing.
- For homeownership projects, assets may not be greater than \$75,000 except for age-restricted housing where the net equity from the ownership of a previous house cannot be more than \$200,000.
- Income and asset limits determine eligibility for lottery participation.

### **Allowable Sales Prices and Rents<sup>46</sup>**

- Rents are calculated at what is affordable to a household earning 80% of area median income adjusted for family size, assuming they pay no more than 30% of their income on housing. Housing costs include rent and payments for heat, hot water, cooking fuel, and electric. If there is no municipal trash collection a trash removal allowance should be included. If utilities are separately metered and paid by the tenant, the LIP rent is reduced based on the area’s utility allowance. Indicate on the DHCD application whether the proposed rent has been determined with the use of utility allowances for some or all utilities.
- Sales prices of LIP units are set so a household earning 70% of area median income would have to pay no more than 30% of their income for housing. Housing costs include mortgage principal and interest on a 30-year fixed term mortgage at 95% of purchase price, property taxes, condo fees<sup>47</sup>, private mortgage insurance (if putting less than 20% of purchase price down), and hazard insurance.
- The initial maximum sales price or rent is calculated as affordable to a household with a number of household members equal to the number of bedrooms plus one (for example a two-bedroom unit would be priced based on what a three-person household could afford).

### **Allowable Financing and Costs**

- Allowable development costs include the “as is” value of the property based on existing zoning at the time of application for a project eligibility letter (initial application to DHCD). Carrying costs (i.e., property taxes, property insurance, interest payments on acquisitions financing, etc.) can be no more than 20% of the “as is” market value unless the carrying period exceeds 24 months. Reasonable carrying costs must be verified by the submission of documentation not within the exclusive control of the applicant.
- Appraisals are required except for small projects of 20 units or less at the request of the Board of Selectmen where the applicant for the LIP comprehensive permit submits satisfactory evidence of value.

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<sup>46</sup> DHCD has an electronic mechanism for calculating maximum sales prices on its website at [www.mass.gov/dhcd](http://www.mass.gov/dhcd).

<sup>47</sup> DHCD will review condo fee estimates and approve a maximum condo fee as part of the calculation of maximum sales price. The percentage interests assigned to the condo must conform to the approved condo fees and require a lower percentage interest assigned to the affordable units as opposed to the market rate ones. DHCD must review the Schedule of Beneficial Interests in the Master Deed to confirm that LIP units have been assigned percentage interests that correspond to the condo fees.



- Profits are limited to no more than 20% of total allowable development costs in homeownership projects.
- In regard to rental developments, payment of fees and profits are limited to no more than 10% of total development costs net of profits and fees and any working capital or reserves intended for property operations. Beginning upon initial occupancy and then proceeding on an annual basis, annual dividend distributions will be limited to no more than 10% of the owner's equity in the project. Owner's equity is the difference between the appraised as-built value and the sum of any public equity and secured debt on the property.
- For LIP comprehensive permit projects, DHCD requires all developers to post a bond (or a letter of credit) with the municipality to guarantee the developer's obligations to provide a satisfactory cost certification upon completion of construction and to have any excess profits, beyond what is allowed, revert back to the municipality. The bond is discharged after DHCD has determined that the developer has appropriately complied with the profit limitations.
- No third party mortgages are allowed for homeownership units.

### **Marketing and Outreach**

- Marketing and outreach, including lottery administration must adhere to all Fair Housing laws and the state's Affirmative Fair Housing Marketing Plan Guidelines.
- LIP requires that the lottery draw and rank households by size.
- If there are proportionately less minority applicants in the community preference pool than the proportion in the region, a preliminary lottery must be held to boost, if possible, the proportion of minority applicants to this regional level.
- A maximum of up to 70% of the units may be local preference units for those who have a connection to the community as defined by the state under Section III.C of the Comprehensive Permit Guidelines.
- The Marketing Plan must affirmatively provide outreach to area minority communities to notify them about availability of the unit(s) and must demonstrate the need for local preference as well as insure that there will be no discriminatory impacts as a result of using local preference criteria.
- Marketing materials must be available/application process open for a period of at least 60 days.
- Marketing should begin about six (6) months before occupancy.  
Lottery must be held unless there are no more qualified applicants than units available.

### **Regulatory Requirements**

- The affordable unit design, type, size, etc. must be the same as the market units and dispersed throughout the development.
- Units developed through LIP as affordable must be undistinguishable from market units as viewed from the exterior (unless the project has a DHCD-approved alternative development plan that is only granted under exceptional circumstances) and contain complete living facilities.
- For over 55 projects, only one household member must be 55 or older.
- Household size relationship to unit size is based on "households" = number of bedrooms plus one – i.e., a four-person household in a three-bedroom unit (important also for calculating purchase prices of the affordable units for which LIP has a formula as noted above).

- Must have deed restrictions in effect in perpetuity unless the applicant or municipality can justify a shorter term to DHCD.
- All affordable units for families must have at least two or more bedrooms and meet state sanitary codes and these minimum requirements –

1 bedroom – 700 square feet/1 bath  
 2 bedrooms – 900 square feet/1 bath  
 3 bedrooms – 1,200 square feet/ 1 ½ baths  
 4 bedrooms – 1,400 square feet/2 baths

- Appraisals may take into account the probability of obtaining a variance, special permit or other zoning relief but must exclude any value relating to the possible issuance of a comprehensive permit.

The process that is required for using LIP for 40B developments – “friendly” comprehensive permit projects – is largely developer driven. It is based on the understanding that the developer and Town are working together on a project that meets community needs. Minimum requirements include:

- Written support of the municipality’s chief elected official, the Board of Selectmen in the case of towns, and the local housing partnership, trust or other designated local housing entity, if applicable. The chief executive officer is in fact required to submit the application to DHCD.
- At least 25% of the units must be affordable and occupied by households earning at or below 80% of area median income or at least 20% of units restricted to households at or below 50% of area median income.
- Affordability restrictions must be in effect in perpetuity, to be monitored by DHCD through a recorded regulatory agreement.
- Project sponsors must prepare and execute an affirmative fair marketing plan that must be approved by DHCD.
- Developer’s profits are restricted per Chapter 40B requirements.

The process that is required for using LIP for 40B developments – “friendly” comprehensive permit projects – is as follows:

### **Application process**

- Developer meets with Town
- Developer and Town agree to proposal
- Town chief elected officer submits application to DHCD with developer’s input

### **DHCD review involves the consideration of:**

- Sustainable development criteria (redevelop first, concentrate development, be fair, restore and enhance the environment, conserve natural resources, expand housing opportunities, provide transportation choice, increase job opportunities, foster sustainable businesses, and plan regionally),
- Number and type of units,

- Pricing of units to be affordable to households earning no more than 70% of area median income,
- Affirmative marketing plan,
- Financing, and
- Site visit.

**DHCD issues site eligibility letter that enables the developer to bring the proposal to the ZBA for processing the comprehensive permit.**

### **Zoning Board of Appeals holds hearing**

- Developer and Town sign regulatory agreement to guarantee production of affordable units that includes the price of units and deed restriction in the case of homeownership and limits on rent increases if a rental project. The deed restriction limits the profit upon resale and requires that the units be sold to another buyer meeting affordability criteria.
- Developer forms a limited dividend corporation that limits profits.
- The developer and Town sign a regulatory agreement.

### **Marketing**

- Marketing plan must provide outreach to area minority communities to notify them about availability of the unit(s).
- Local preference is limited to those who live/work in the community with a maximum of 70% of the affordable units.
- Marketing materials must be available/application process open for a period of at least 60 days.
- Lottery must be held.

### **DHCD approval must include**

- Marketing plan, lottery application, and lottery explanatory materials
- Regulatory agreement (DHCD is a signatory)
- Deed rider (Use standard LIP document)
- Purchase arrangements for each buyer including signed mortgage commitment, signed purchase and sale agreement and contact information of purchaser's closing attorney.

As mentioned above, in addition to being used for "friendly" 40B projects, LIP can be used for counting those affordable units as part of a Town's Subsidized Housing Inventory that are created as a result of some local action. Following occupancy of the units, a Local Action Units application must be submitted to DHCD for the units to be counted as affordable. This application is on DHCD's web site.

The contact person at DHCD is Janice Lesniak of the LIP staff (phone: 617-573-1309; fax: 617-573-1330; email: [janice.lesniak@state.ma.us](mailto:janice.lesniak@state.ma.us)). For legal questions contact Elsa Campbell, Housing Specialist (phone: 617-573-1321; fax: 617-573-1330; email: [elsa.campbell@state.ma.us](mailto:elsa.campbell@state.ma.us)).

## **E. MassWorks Infrastructure Program**

The MassWorks Infrastructure Program provides a one-stop shop for municipalities and other eligible public entities seeking public infrastructure funding to support economic development and job creation. The Program represents an administrative consolidation of six former grant programs:

- Public Works Economic Development (PWED)
- Community Development Action Grant (CDAG)
- Growth Districts Initiative (GDI) Grant Program
- Massachusetts Opportunity Relocation and Expansion Program (MORE)
- Small Town Rural Assistance Program (STRAP)
- Transit Oriented Development (TOD) Program

The MassWorks Infrastructure Program provides a one-stop shop for municipalities and other eligible public entities seeking public infrastructure funding to support:

- Economic development and job creation and retention
- Housing development at density of at least 4 units to the acre (both market and affordable units)
- Transportation improvements to enhancing safety in small, rural communities

The MassWorks Infrastructure Program is administered by the Executive Office of Housing and Economic Development, in cooperation with the Department of Transportation and Executive Office for Administration & Finance.

## **II. SUMMARY OF HOUSING RESOURCES**

Those programs that may be most appropriate to development activity in Grafton are described below.<sup>48</sup>

### **A. Technical Assistance**

#### **1. *Priority Development Fund*<sup>49</sup>**

A relatively new state-funded initiative, the Priority Development Fund, provides planning assistance to municipalities for housing production. In June 2004, DHCD began making \$3 million available through this Fund on a first-come, first-served basis to encourage the new production of housing, especially mixed-income rental housing. PDF assistance supports a broad range of activities to help communities produce housing. Applications must demonstrate the community's serious long-term commitment and willingness to increase its housing supply in ways that are consistent with the Commonwealth's principles of sustainable development.

Eligible activities include community initiated activities and implementation activities associated with the production of housing on specific sites. Funding in support of the Compact Neighborhoods Program has recently been added. Community initiated activities include but are not limited to:

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<sup>48</sup> Program information was gathered through agency brochures, agency program guidelines and application materials as well as the following resources: Verrilli, Ann. Housing Guidebook for Massachusetts. Produced by the Citizen's Housing and Planning Association, June 1999.

<sup>49</sup> Description taken from the state's program description.

Zoning activities that support the program objectives include:

- Incentive zoning provisions to increase underlying housing density;
- Smart Growth Zoning Overlay Districts including Compact Neighborhoods zones;
- Inter- and intra-municipal Transferable Development Rights proposals;
- Zoning that promotes compact housing and development such as by right multi-family housing, accessory apartment units, clustered development, and inclusionary zoning;
- Zoning provisions authorizing live-and-work units, housing units for seasonal employees, mixed assisted living facilities and the conversion of large single-family structures, vacant mills, industrial buildings, commercial space, a school or other similar facilities, into multi-family developments; and
- Other innovative zoning approaches developed by and for an individual community.

Education and outreach efforts that support the program objectives include:

- Establishment of a local or regional affordable housing trust;
- Development of a plan of action for housing activities that will be undertaken with Community Preservation Act funds; and
- Efforts to build local support (grass-root education) necessary to achieve consensus or approval of local zoning initiatives.

Implementation activities associated with the production of housing in site-specific areas include but are not limited to:

- Identification of properties, site evaluation, land assembly and financial feasibility analysis; and
- Development of a Request for Proposal (RFP) for the disposition of land.

The PDF assistance is not available to serve as a substitute for pre-development assessment of alternative development scenarios for parcels already controlled by an identified private developer or to supplant municipal funds to pay staff salaries.

Eligible applicants consist of cities and towns within the Commonwealth. Municipalities may enter into third party agreements with consultants approved by DHCD, however only a municipality will be allowed to enter into a contract with MassHousing regarding the distribution of funds. Municipalities will be responsible for attesting that all funds have been expended for their intended purposes.

Joint applications involving two or more communities within a region or with similar housing challenges are strongly encouraged as a way to leverage limited resources, however, one municipality will be required to serve as the lead.

MassHousing and DHCD reserve the right to screen applications and to coordinate requests from communities seeking similar services. For example, rural communities may be more effectively served by an application for a shared consultant who can work with numerous towns to address zoning challenges that enhance housing production. Likewise, it may be more effective to support an application for a consultant to review model zoning by-laws or overlay districts with a number of interested communities with follow-up at the community level to support grassroots education, than it

is to support the separate development of numerous zoning by-laws. Communities submitting multiple applications must prioritize their applications.

In exchange for the assistance, municipalities must agree to share the end product of the funded activities with DHCD and MassHousing and with other communities in the Commonwealth through reports, meetings, workshops, and to highlight these activities in print, on the web or other media outlets.

The agencies will focus the evaluation of applications to determine overall consistency with program goals and the principles of sustainable development. Applications will be evaluated based on:

- Eligibility of activity;
- Public support;
- Demonstrated need for funds;
- Likelihood activity will result in production of housing;
- Reasonableness of the timeline;
- Readiness to proceed with proposed project;
- Capacity to undertake activity;
- Cost estimates and understanding of the proposed project cost;
- Proposed activity having clearly defined benefits that will result in the production of housing; and
- Benefits being realized within a 2-3 year-timeframe.

Applications for funding will be accepted and evaluated on a rolling review basis. In order to deploy this assistance as effectively and efficiently as possible, or in the event the planning funds are oversubscribed, communities that have relatively greater planning capacity and/or resources may be requested to provide some matching funds. Additional consideration and flexibility for the assistance will be made for communities with little or no planning staff capacity or resources.

Communities may apply to DHCD for assistance of up to \$50,000. The amount of funds awarded will be a reflection of the anticipated impact on housing production. DHCD and MassHousing reserve the right to designate proposals as “Initiatives of Exceptional Merit,” in order to increase the amount of assistance and scope of services for certain projects.

## **2. *Peer-to-Peer Technical Assistance***

This state program utilizes the expertise and experience of local officials from one community to provide assistance to officials in another comparable community to share skills and knowledge on short-term problem solving or technical assistance projects related to community development and capacity building. Funding is provided through the Community Development Block Grant Program and is limited to grants of no more than \$1,000, providing up to 30 hours of technical assistance.

Applications are accepted on a continuous basis, but funding is limited (contact is Karl McLaurin at DHCD). To apply, a municipality must provide DHCD with a brief written description of the problem or issue, the technical assistance needed and documentation of a vote of the Board of Selectmen or letter from the Town Administrator supporting the request for a peer. Communities may propose a local official from another community to serve as the peer or ask DHCD for a referral. If DHCD approves the request and once the peer is recruited, DHCD will enter into a contract for services with

the municipality. When the work is completed to the municipality's satisfaction, the Town must prepare a final report, submit it to DHCD, and request reimbursement for the peer.

### **3. *MHP Intensive Community Support Team***

The Massachusetts Housing Partnership Fund is a quasi-public agency that offers a wide range of technical and financial resources to support affordable housing. The Intensive Community Support Team provides sustained, in-depth assistance to support the development of affordable housing. Focusing on housing production, the Team helps local advocates move a project from the conceptual phase through construction, bringing expertise and shared lessons from other parts of the state. The team can also provide guidance on project finance. Those communities, which are interested in this initiative, should contact the MHP Fund directly for more information. (Contact MHP's Community Housing Initiatives Team at 617-330-9944 ext. 227.)

### **4. *MHP Chapter 40B Technical Assistance Program***

Working with DHCD, MHP launched this program in 1999 to provide technical assistance to those communities needing assistance in reviewing comprehensive permit applications. The Program offers up to \$10,000 in third-party technical assistance to enable communities to hire consultants to help them review Chapter 40B applications. Those communities that are interested in this initiative should contact the MHP Fund directly for more information.

MHP recently announced new guidelines to help cities and towns review housing development proposals under Chapter 40B including:

- State housing agencies will now appraise and establish the land value of 40B sites before issuing project eligibility letters.
- State will put standards in place for determining when permit conditions make a 40B development "uneconomic".
- There will be set guidelines on determining related-party transactions, i.e., when a developer may also have a role as contractor or realtor.
- Advice on how to identify the most important issues early and communicate them to the developer, how informal work sessions can be effective, and how to make decisions that are unlikely to be overturned in court.

(Contact MHP's Community Housing Initiatives Team at 617-330-9944 ext. 227 for more information.)

## **B. Housing Development**

While comprehensive permits typically do not involve external public subsidies but use internal subsidies by which the market units in fact subsidize the affordable ones, communities are finding that they also require public subsidies to cover the costs of affordable or mixed-income residential development and need to access a range of programs through the state and federal government and other financial institutions to accomplish their objectives and meet affordable housing goals. Because the costs of development are typically significantly higher than the rents or purchase prices that low- and moderate-income tenants can afford, multiple layers of subsidies are often required to fill the gaps. Sometimes even Chapter 40B developments are finding it useful to apply for external subsidies to increase the numbers of affordable units, to target units to lower income or special needs populations, or to fill gaps that market rates cannot fully cover.

The state requires applicants to submit a One Stop Application for most of its housing subsidy programs in an effort to standardize the application process across agencies and programs. A Notice of Funding Availability (NOFA) is issued by the state usually twice annually for its rental programs and homeownership initiatives. Using the One Stop Application, applicants can apply to several programs simultaneously to support the funding needs of a particular project.

## **1. HOME Program**

HUD created the HOME Program in 1990 to provide grants to states, larger cities and consortia of smaller cities and towns to do the following:

- Produce rental housing;
- Provide rehabilitation loans and grants, including lead paint removal and accessibility modifications, for rental and owner-occupied properties;
- Offer tenant-based rental assistance (two-year subsidies); and/or
- Assist first-time homeowners.

The HOME Program funding is targeted to homebuyers or homeowners earning no more than 80% of median income and to rental units where at least 90% of the units must be affordable and occupied by households earning no more than 60% of median income, the balance to those earning within 80% of median. Moreover, for those rental projects with five or more units, at least 20% of the units must be reserved for households earning less than 50% of median income. In addition to income guidelines, the HOME Program specifies the need for deed restrictions, resale requirements, and maximum sales prices or rentals.

Because Grafton is not an entitlement community, meaning that it is not automatically entitled to receive HOME funding based on HUD's funding formula, the Town would need to join a consortium of other smaller towns and cities to receive funding or submit funding applications to DHCD on a project by project basis through its One Stop Application. Grafton is not part of a Consortium so would have to apply directly to DHCD for this funding at this time.

The HOME Rental Program is targeted to the acquisition and rehabilitation of multi-family distressed properties or new construction of multi-family rental housing from five to fifty units. Once again, the maximum subsidy per project is \$750,000 and the maximum subsidy per unit in localities that receive HOME or CDBG funds directly from HUD is \$50,000 (these communities should also include a commitment of local funds in the project). Those communities that do not receive HOME or CDBG funds directly from HUD, like Grafton, can apply for up to \$65,000 per unit. Subsidies are in the form of deferred loans at 0% interest for 30 years. State HOME funding cannot be combined with another state subsidy program with several exceptions including the Low Income Housing Tax Credits, HIF and the Soft Second Program.

## **2. Community Development Block Grant Program (CDBG)**

In addition to funding for the Peer-to-Peer Program mentioned in the above section, there are other housing resources supported by federal CDBG funds that are distributed by formula to Massachusetts.

The **Massachusetts Small Cities Program** that has a set-aside of Community Development Block Grant (CDBG) funds to support a range of eligible activities including housing development. However, at least 70% of the money must provide benefits to households earning within 80% of median income.



This money is for those nonentitlement localities that do not receive CDBG funds directly from HUD. Funds are awarded on a competitive basis through Notices of Funding Availability with specific due dates or through applications reviewed on a rolling basis throughout the year, depending on the specific program. This funding supports a variety of specific programs.

There are other programs funded through the Community Development Block Grant Small Cities Program for both homeownership and rental projects. A number of the special initiatives are directed to communities with high “statistical community-wide needs”, however, the **Community Development Fund II** is targeted to communities with lower needs scores that have not received CDBG funds in recent years. This may be the best source of CDBG funding for Grafton besides HDSP described above. Funding is also awarded competitively through an annual Notice of Funding Availability. DHCD also has a **Reserve Fund** for CDBG-eligible projects that did not receive funding from other CDBG funded programs or for innovative projects.

### **3. *Housing Stabilization Fund (HSF)***

The state’s Housing Stabilization Fund (HSF) was established in 1993 through a Housing Bond bill to support housing rehabilitation through a variety of housing activities including homeownership (most of this funding has been allocated for the MHP Soft Second Program) and rental project development. The state subsequently issued additional bond bills to provide more funding. The HSF Rehabilitation Initiative is targeted to households with incomes within 80% of median income, with resale or subsequent tenancy for households within 100% of median income. The funds can be used for grants or loans through state and local agencies, housing authorities and community development corporations with the ability to subcontract to other entities. The funds have been used to match local HOME program funding, to fund demolition, and to support the acquisition and rehabilitation of affordable housing. In addition to a program directed to the rehabilitation of abandoned, distressed or foreclosed properties, the HSF provides funds to municipalities for local revitalization programs directed to the creation or preservation of rental projects. As with HOME, the maximum amount available per project is \$750,000 and the maximum per unit is \$65,000 for communities that do not receive HOME or CDBG funds directly from HUD, and \$50,000 for those that do. Communities can apply for HSF funding biannually through the One Stop Application.

### **4. *Low Income Housing Tax Credit Program***

The Low Income Housing Tax Credit Program was created in 1986 by the Federal Government to offer tax credits to investors in housing development projects that include some low-income units. The tax credit program is often the centerpiece program in any affordable rental project because it brings in valuable equity funds. Tax credits are either for 4% or 9% of the development or rehab costs for each affordable unit for a ten-year period. The 4% credits have a present value of 30% of the development costs, except for the costs of land, and the 9% credit have a present value equal to 70% of the costs of developing the affordable units, with the exception of land. Both the 4% and 9% credits can be sold to investors for close to their present values.

The Federal Government limits the 9% credits and consequently there is some competition for them, nevertheless, most tax credit projects in Massachusetts are financed through the 9% credit. Private investors, such as banks or corporations, purchase the tax credits for about 80 cents on the dollar, and their money serves as equity in a project, reducing the amount of the debt service and consequently the rents. The program mandates that at least 20% of the units must be made affordable to households earning within 50% of median income or 40% of the units must be affordable to

households earning up to 60% of median income. Those projects that receive the 9% tax credits must produce much higher percentages of affordable units.

The Massachusetts Legislature has enacted a comparable state tax credit program, modeled after the federal tax credit program. The One Stop Application is also used to apply for this source of funding.

### **5. *Affordable Housing Trust Fund***

The Affordable Housing Trust Fund (AHTF) was established by an act of the State Legislature and is codified under Chapter 121-D of the Massachusetts General Laws. The AHTF operates out of DHCD and is administered by MassHousing with guidance provided by an Advisory Committee of housing advocates. The purpose of the fund is to support the creation/preservation of housing that is affordable to people with incomes that do not exceed 110% of the area median income. The AHTF can be used to support the acquisition, development and/or preservation of affordable housing units. AHTF assistance can include:

- Deferred payment loans, low/no-interest amortizing loans.
- Down payment and closing cost assistance for first-time homebuyers.
- Credit enhancements and mortgage insurance guarantees.
- Matching funds for municipalities that sponsor affordable housing projects.
- Matching funds for employer-based housing and capital grants for public housing.

Funds can be used to build or renovate new affordable housing, preserve the affordability of subsidized expiring use housing, and renovate public housing. While the fund has the flexibility of serving households with incomes up to 110%, preferences for funding will be directed to projects involving the production of new affordable units for families earning below 80% of median income. The program also includes a set-aside for projects that serve homeless households or those earning below 30% of median income. Once again, the One Stop Application is used to apply for funding, typically through the availability of two funding rounds per year.

### **6. *Housing Innovations Fund (HIF)***

The state also administers the Housing Innovations Fund (HIF) that was created by a 1987 bond bill and expanded under two subsequent bond bills to provide a 5% deferred loan to non-profit organizations for no more than \$500,000 per project or up to 30% of the costs associated with developing alternative forms of housing including limited equity coops, mutual housing, single-room occupancy housing, special needs housing, transitional housing, domestic violence shelters and congregate housing. At least 25% of the units must be reserved for households earning less than 80% of median income and another 25% for those earning within 50% of area median income. HIF can also be used with other state subsidy programs including HOME, HSF and Low Income Housing Tax Credits. The Community Economic Development Assistance Corporation (CEDAC) administers this program. Applicants are required to complete the One-Stop Application.

### **7. *Federal Home Loan Bank Board's Affordable Housing Program (AHP)***

Another potential source of funding for both homeownership and rental projects is the Federal Home Loan Bank Board's Affordable Housing Program (AHP) that provides subsidies to projects targeted to households earning between 50% and 80% of median income, with up to \$300,000 available per project. This funding is directed to filling existing financial gaps in low- and moderate-income affordable housing projects. There are typically two competitive funding rounds per year for this program.

## **8. *MHP Permanent Rental Financing Program***

The state also provides several financing programs for rental projects through the Massachusetts Housing Partnership Fund. The Permanent Rental Financing Program provides long-term, fixed-rate permanent financing for rental projects of five or more units from \$100,000 loans to amounts of \$2 million. At least 20% of the units must be affordable to households earning less than 50% of median income or at least 40% of the units must be affordable to households earning less than 60% of median income or at least 50% of the units must be affordable to households earning less than 80% of median income. MHP also administers the Permanent Plus Program targeted to multi-family housing or SRO properties with five or more units where at least 20% of the units are affordable to households earning less than 50% of median income. The program combines MHP's permanent financing with a 0% deferred loan of up to \$40,000 per affordable unit up to a maximum of \$500,000 per project. No other subsidy funds are allowed in this program. The Bridge Financing Program offers bridge loans of up to eight years ranging from \$250,000 to \$5 million to projects involving Low Income Housing Tax Credits. Applicants should contact MHP directly to obtain additional information on the program and how to apply.

## **9. *OneSource Program***

The Massachusetts Housing Investment Corporation (MHIC) is a private, non-profit corporation that since 1991 has provided financing for affordable housing developments and equity for projects that involve the federal Low Income Housing Tax Credit Program. MHIC raises money from area banks to fund its loan pool and invest in the tax credits. In order to qualify for MHIC's OneSource financing, the project must include a significant number of affordable units, such that 20% to 25% of the units are affordable to households earning within 80% of median income. Interest rates are typically one point over prime and there is a 1% commitment fee. MHIC loans range from \$250,000 to several million, with a minimum project size of six units. Financing can be used for both rental and homeownership projects, for rehab and new construction, also covering acquisition costs with quick turn-around times for applications of less than a month (an appraisal is required). The MHIC and MHP work closely together to coordinate MHIC's construction financing with MHP's permanent take-out through the OneSource Program, making their forms compatible and utilizing the same attorneys to expedite and reduce costs associated with producing affordable housing.

## **10. *Section 8 Rental Assistance***

An important low-income housing resource is the Section 8 Program that provides rental assistance to help low- and moderate-income households pay their rent. In addition to the federal Section 8 Program, the state also provides rental subsidies through the Massachusetts Rental Voucher Program as well as three smaller programs directed to those with special needs. These rental subsidy programs are administered by the state or through local housing authorities and regional non-profit housing organizations. Rent subsidies take two basic forms – either granted directly to tenants or committed to specific projects through special Project-based rental assistance. Most programs require households to pay a minimum percentage of their adjusted income (typically 30%) for housing (rent and utilities) with the government paying the difference between the household's contribution and the actual rent.

## **11. *District Improvement Financing Program (DIF)***

The District Improvement Financing Program (DIF) is administered by the state's Office of Business Development to enable municipalities to finance public works and infrastructure by pledging future incremental taxes resulting from growth within a designated area to service financing obligations. This Program, in combination with others, can be helpful in developing or redeveloping target areas of

a community, including the promotion of mixed-uses and smart growth. Municipalities submit a standard application and follow a prescribed application process directed by the Office of Business Development in coordination with the Economic Assistance Coordinating Council.

### **12. *Urban Center Housing Tax Increment Financing Zone (UCH-TIF)***

The Urban Center Housing Tax Increment Financing Zone Program (UCH-TIF) is a relatively new state initiative designed to give cities and towns the ability to promote residential and commercial development in commercial centers through tax increment financing that provides a real estate tax exemption on all or part of the increased value (the “increment”) of the improved real estate. The development must be primarily residential and this program can be combined with grants and loans from other local, state and federal development programs. An important purpose of the program is to increase the amount of affordable housing for households earning at or below 80% of area median income and requires that 25% of new housing to be built in the zone be affordable, although the Department of Housing and Community Development may approve a lesser percentage where necessary to insure financial feasibility. In order to take advantage of the program, a municipality needs to adopt a detailed UCH-TIF Plan and submit it to DHCD for approval.

### **13. *Community Based Housing Program***

The Community Based Housing Program provides loans to nonprofit agencies for the development or redevelopment of integrated housing for people with disabilities in institutions or nursing facilities or at risk of institutionalization. The Program provides permanent, deferred payment loans for a term of 30 years, and CBH funds may cover up to 50% of a CHA unit’s Total Development Costs up to a maximum of \$750,000 per project.

### **14. *Compact Neighborhoods Program***

DHCD recently announced “Compact Neighborhoods” that provides additional incentives to municipalities that adopt zoning districts for working families of all incomes as well as smart growth development. Similar to 40R, the program requires new zoning that must:

- Allow a minimum number of “future zoned units” in the Compact Neighborhood, which is generally 1% of the year-round housing in the community;
- Allow one or more densities as-of-right in the zone of at least eight (8) units per acre on developable land for multi-family housing and at least four (4) units per acre for single-family use;
- Provide not less than 10% of units be affordable within projects of more than 12 units; and
- Not impose any restrictions to age or other occupancy limitations within the Compact Neighborhood zone although projects within the zone may be targeted to the elderly, persons with disabilities, etc.

Financial assistance through the Priority Development Fund is available to communities that are adopting Compact Neighborhoods zoning, giving priority to the creation of mixed-use development beyond the bounds of a single project. The state also promotes projects that meet the definition of smart growth under 40R, encourage housing that is priced to meet the needs of households across a broad range of incomes and needs.

The process for implementing a Compact Neighborhoods Zone includes:

- Identify an “as-of-right” base or overlay district (the Compact Neighborhood);
- Request and receive a Letter of Eligibility from DHCD; and
- Adopt the Compact Neighborhood Zoning.

## **C. Homebuyer Financing and Counseling**

### **1. *Soft Second Loan Program***<sup>50</sup>

The Massachusetts Housing Partnership Fund, in coordination with the state's Department of Housing and Community Development, administers the Soft Second Loan Program to help first-time homebuyers purchase a home. The Program began in 1991 to help families earning up to 80% of median income qualify for a mortgage through a graduated-payment second mortgage and down payment assistance. Just recently the state announced that it had lent \$1 billion in these affordable mortgages. Participating lenders originate the mortgages which are actually split in two with a conventional first mortgage based on 77% of the purchase price, the soft second mortgage for typically about 20% of the purchase price (or \$20,000 if greater) and a requirement from the buyer of at least a 3% down payment. Borrowers do not need to purchase private mortgage insurance that would typically be required with such a low down payment, thus saving the buyer significant sums on a monthly basis. Program participants pay interest only on the soft second mortgage for the first ten years and some eligible buyers may qualify for an interest subsidy on the second mortgage as well. Additionally, some participating lenders and communities offer grants to support closing costs and down payments and slightly reduced interest rates on the first mortgage.

For over 20 years, MHP has made homeownership possible for low and moderate-income homebuyers by offering the Soft Second Loan Program. Since 1990, Soft Second has helped over 17,000 families purchase their first home and has provided over \$2.7 billion in private mortgage financing. Soft Second will continue to be available through the end of 2013 but MHP will be transitioning the program from a two-mortgage structure to one and will relaunch the program as the ONE Mortgage Program. MHP and its partner banks expect to start making ONE Mortgages by the summer of 2013. Like Soft Second, ONE will offer first-time homebuyers a discounted fixed interest rate, a low down payment and will not require the homebuyer to purchase costly private mortgage insurance.

### **2. *American Dream Downpayment Assistance Program***

The American Dream Downpayment Assistance Program is also awarded to municipalities or non-profit organizations on a competitive basis to help first-time homebuyers with down payments and closing costs. While the income requirements are the same as for the Soft Second Program, the purchase price levels are higher based on the FHA mortgage limits. Deferred loans for the down payment and closing costs of up to 5% of the purchase price to a maximum of \$10,000 can be made at no interest and with a five-year term, to be forgiven after five years. Another loan can be made through the program to cover deleading in addition to the down payment and closing costs, but with a ten-year term instead, with at least 2.5% of the purchase price covering the down payment.

### **3. *Homebuyer Counseling***

There are a number of programs, including the Soft Second Loan Program and MassHousing's Home Improvement Loan Program, as well as Chapter 40B homeownership projects, that require purchasers to attend homebuyer workshops sponsored by organizations that are approved by the state, Citizens Housing and Planning Association (CHAPA) and/or HUD as a condition of occupancy. These sessions provide first-time homebuyers with a wide range of important information on homeownership finance and requirements. The organizations that offer these workshops in closest proximity to Grafton include RCAP Solutions, SMOC, and NeighborWorks Homeownership Center of Worcester.

#### **4. Self-Help Housing**

Self-Help programs involve sweat-equity by the homebuyer and volunteer labor of others to reduce construction costs. Some communities have donated building lots to Habitat for Humanity to construct affordable single housing units. Under the Habitat for Humanity program, homebuyers contribute between 300 and 500 hours of sweat equity while working with volunteers from the community to construct the home. The homeowner finances the home with a 20-year loan at 0% interest. As funds are paid back to Habitat for Humanity, they are used to fund future projects.

#### **D. Home Improvement Financing**

##### **1. MassHousing Home Improvement Loan Program (HLP)**

The MHFA Home Improvement Loan Program (HILP) is targeted to one- to four-unit, owner-occupied properties, including condominiums, with a minimum loan amount of \$10,000 up to a maximum of \$50,000. Loan terms range from five to 20 years based on the amount of the loan and the borrower's income and debt. MassHousing services the loans. Income limits are \$92,000 for households of one or two persons and \$104,000 for families of three or more persons. To apply for a loan, applicants must contact a participating lender.

##### **2. Get the Lead Out Program**

MassHousing's Get the Lead Out Program has been offering financing for lead paint removal on excellent terms. Based on uncertain future legislative appropriations, some changes in program requirements were made to insure that eligible homeowners with lead poisoned children would have funding available for a longer period. All income eligible families who are under court order to delead or who have a child under case management with the Commonwealth's Lead Paint Prevention Program, will continue to receive 0% deferred loans. Owners wanting to delead their homes for preventive purposes must qualify for an amortizing loan with a 3% interest rate if earning within 80% of area median income, 5% interest if earning over 80% AMI and up to the program maximum. Applicants must contact a local rehabilitation agency to apply for the loan.

##### **3. Septic Repair Program**

Through a partnership with the Massachusetts Department of Environmental Protection and Revenue, MassHousing offers loans to repair or replace failed or inadequate septic systems for qualifying applicants. The interest rates vary according to the borrower's income with 0% loans available to one and two-person households earning up to \$23,000 and three or more person households earning up to \$26,000 annually. There are 3% loans available for those one or two person households earning up to \$46,000 and three or more persons earning up to \$52,000. Additionally, one to four-family dwellings and condominiums are eligible for loan amounts of up to \$25,000 and can be repaid in as little as three years or over a longer period of up to 20 years. To apply for a loan, applicants must contact a participating lender.

##### **4. Home Modification Program**

This state-funded program provides financial and technical assistance to those who require modifications to their homes to make them handicapped accessible. The area's regional non-profit organization, Rural Housing Improvement/RACP Solutions, administers these funds for the state.